Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Israel NIS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore ...... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta125
Cyprus ...... C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt ...... E£2.25	Lebanon $L125.00	Switzerland. SFr2.20
Finland Fmk7.00	Luxembourg LFr48	Taiwan ...... NT$85
France FFr6.50	Malaysia Rin4.25	Thailand Bht50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dhb.00	Turkey L500
Hong Kong ...... HK$12	Netherlands Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr8.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,334 — Friday September 11 1987 — D 8523 A

Hong Kong economy: a boom made in China, Page 20

World News

Iran will support Saudis on oil price

Iran said it was determined to co-operate with Saudi Arabia in support of an oil price of $20 a barrel despite acute tensions between the two states.

The indication came as fighting in the Gulf war intensified ahead of the peace mission to Iran and Iraq by UN Secretary General Javier Perez de Cuellar. Page 22

New Namibia hope

Assistant US Secretary of State for Africa Chester Crocker left Luanda, after meeting President Jose Eduardo dos Santos, to consider new Angolan proposals which diplomats said had raised hopes of progress towards a Namibia settlement.

Pope arrives in US

The Pope arrived in Miami for a nine-day tour of the US.

Pakistan blast deaths

At least two people were killed when a bomb exploded in a fruit market in Lahore, Pakistan.

Yugoslav strike wave

Some 5,000 Yugoslav machine plant workers went on strike, joining a wave of unrest over inflation and low pay.

Bangladesh aid pledge

Britain promised $8m in emergency aid for the homeless left by Bangladesh floods.

Reagan Contra plea

Secretary of State George Shultz said President Reagan wanted the US Congress to approve $270m over 18 months in aid for Nicaraguan Contra rebels. Page 6

China death sentences

A Peking court sentenced six people to death for taxi robberies.

Mengistu elected

Military ruler Mengistu Haile Mariam was elected unopposed as first president of the new People's Democratic Republic of Ethiopia.

EC aid for Africa

The European Commission proposed a $115m two-year programme to help the poorest countries of sub-Saharan Africa.

Chile powers renewed

Chilean President Augusto Pinochet prepared to celebrate the 14th anniversary of his coup by renewing emergency powers that allow him to exile opponents or banish them internally without trial. Pinochet's grip, page 6

Kabul pull-out closer

Afghanistan and Pakistan had narrowed differences over a timetable for the withdrawal of Soviet troops from Afghanistan, a UN official said. Page 4

Plea to Colombia

Amnesty International said it had asked Colombia for an urgent investigation of the murder of two leading human rights activists.

Burundi leader

Burundi coup leader Pierre Buyoya was named as president and met leaders of neighbouring states to seek recognition.

Sihanouk welcome

Cambodian Premier Hun Sen said exiled Prince Norodom Sihanouk would be welcome to return.

Calcutta riots

At least 60 people were injured when Indian police fired in the air and detonated tear-gas canisters to disperse thousands of stone-throwing demonstrators protesting at plans to redevelop a Calcutta park.

Bashford dies at 72

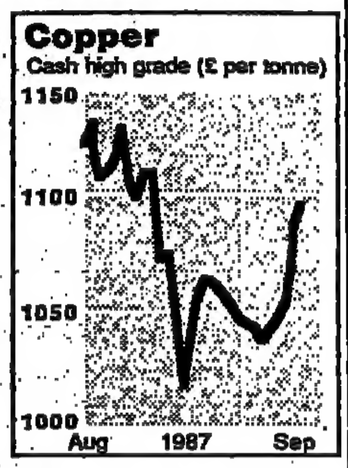
Pat Bashford, former leader of Rhodesia's multiracial Centre Party, died in Harare, aged 72.

Business Summary

London SE to impose £1 fines on backlog

LONDON Stock Exchange members are to be fined £1 ($1.65) a day for each transaction dating from the time of Big Bang if they fail to settle within six weeks. Some members had lobbied for fines up to £30 to encourage prompt settlement. Page 22

COPPER prices reached fresh 4½-year highs on the London Metal Exchange yesterday as the strength of the New York market boosted London prices for the fifth trading day in succession. The cash Grade A position closed £14 up at £1,099 a tonne. Page 24



WALL STREET: The Dow Jones industrial average closed 26.78 up at 2,576.05. Page 46

LONDON: UK securities opened more brightly but were unable to extend early gains as investment institutions stayed away, reluctant to take positions before the release of US trade data. The FT-SE index was up 4.1 at 2,253.2 and the FT Ordinary index rose 5.2 to 1,761.3. Details, Page 42

TOKYO: Equities and bonds moved lower on rumour that two medium-sized Japanese banks had suffered investment failures similar to those of Tateho. Although the banks denied the losses, the Nikkei stock average slid 142.69 to 24,795.24 in lower turnover. Page 48

GOLD rose in London to $460.00 from $457.50. It also rose in Zurich to $460.35 from $458.25. Page 34

DOLLAR closed in New York at DM1.80525, Y142.45, SFr1.4935 and FFr6.0425. It rose in London to DM1.8065 (DM1.7965); FFr 6.0425 (FFr6.0125); SFr1.4950 (SFr1.4870); and to Y142.50 (Y141.55). On Bank of England figures the dollar's index rose to 100.8 from 100.4. Page 35

STERLING closed in New York at $1.64625. It fell in London to $1.6450 ($1.6510). It rose to DM2.9725 (DM2.9650); FFr9.9400 (FFr9.9275); SFr2.4600 (SFr2.4550); and Y234.50 (Y233.75). The pound's exchange rate index was unchanged at 72.9. Page 35

BRITANNIA Arrow Holdings, UK financial services group, is to buy County Unit Trust Managers, National Westminster Bank's unit trust business, for £41.5m ($68.5m) in cash. Page 23

ALLEGHENY International, embattled US consumer products group, and its former chairman, have been charged by the US Securities & Exchange Commission with corporate reporting and record-keeping violations. Page 23

CANADIAN Pacific, transportation, resources and industrial conglomerate, will concentrate on developing its four core sectors and has no acquisitions in sight that would absorb part of its C$500m (US$378m) in cash. Page 23

MONTEDISON, Italian chemicals, pharmaceuticals, energy and financial services group, last night unveiled a 15.9 per cent drop in its gross operating profit for the first six months of 1987, to L739bn ($565m). Page 23

ASIA SECURITIES International, Hong Kong-based flagship company of Mr Bill Wyllie, has sold 100m shares in Chinese Estates, property group controlled by Mr Joseph Lau, raising HK$210m (US$26.9m) before costs. Page 24

Aquino faces problem of corking the military genie

BY RICHARD GOURLAY IN MANILA

PRESIDENT Corazon Aquino of the Philippines faces a critical test of her leadership after surviving the fifth and easily most serious attempt to topple her in a coup.

The latest political crisis has led to the mass resignation of her cabinet. It has also raised the prospect that the military may again take a more active role in politics, unless Mrs Aquino moves quickly to fill what is beginning to look like a power vacuum.

Mrs Aquino tried to present a strong and decisive face yesterday, announcing that some ministers are to be sacked and a new Cabinet formed during the weekend. She appealed on television for public help to prevent the overthrow of her Government.

But Mrs Aquino's problems are not with the public, which largely still hero-worships her - they are with the armed forces which helped her to power in the first place.

Even if she handles the reshuffle perfectly, by successfully balancing the demands of the radicals and the pragmatists in her Government, the most difficult task still lies ahead: to work out why her military has been so consistently mutinous and then try to tackle its appalling inefficiencies.

The leader of last month's abortive coup, Colonel Gregorio Honasan, slipped easily away from the military camp where he and about 1,000 men were holed up. "Loyal" government troops showed very little interest in capturing the mutineers.

He left behind a military which increasingly identifies with his cause - less "coddling" of Communist insurgents by the Government, more recognition for the soldiers both in pay and conditions and a greater military say in the civilian Government.

As a reminder of who the real enemy is, the Communist-led New People's Army this week cut road links between Manila and a 100-mile long peninsula by blowing up three key bridges on successive days. Instead of reinforcing the region, 100 soldiers had to be withdrawn because they had tried to join the coup leaders on August 28.

In each successive attempted coup, the mutineers have claimed that they were not interested in toppling Mrs Aquino but wanted to see alleged Communist sympathisers removed from the Cabinet and a tougher stand taken against the insurgents.

Most observers believe that the Cabinet problem is not so much Communist sympathisers as policy obstruction by close advisers to Mrs Aquino, particularly Mr Joker Arroyo, the Executive Secretary, widely criticised for both incompetence and left-wing sympathies. However, Mrs Aquino appears to be

Continued on Page 22

Military feel Mrs Aquino has been "soft" on the Communists

Argentina attempts to freeze interest rates on $54bn foreign debt

BY TIM COONE IN BUENOS AIRES

PRESIDENT RAUL Alfonsin has said Argentina will seek to freeze interest rates on its $54bn foreign debt.

His speech, delivered on Wednesday night, contained his strongest public attack yet on the International Monetary Fund and foreign banks.

It gave the first indication of a shift of emphasis in government economic policy since the heavy defeat suffered at Sunday's polls by the ruling Radical Party.

President Alfonsin said the Government would immediately begin "a campaign...in a permanent search for the freezing of interest rates at historic levels".

In a television interview shortly before the elections, he had defined "historic" interest rates as "2 to 3 per cent per annum in real terms".

In Wednesday night's speech he criticised the lending policies of the commercial banks, the World Bank and especially the IMF, which had imposed "ridiculous recipes".

Future agreements would no longer be linked to "anachronistic positions which, instead of facilitating the development of peoples, only bring them stagnation and paralysis".

The announcement gave no indication of what sanctions the country might impose if the banks or IMF refused to accept Argentina's proposals. But the message was clear that Argentina's negotiating stance would be substantially hardened.

President Alfonsin was making his first public appearance on Wednesday since the election, in which the opposition Peronist Party made a comeback.

One result of the election, and offers of resignation by Cabinet ministers on Monday night, is uncertainty whether Mr Juan Sourouille will continue much longer as Economy Minister.

President Alfonsin, visibly upset by a lengthy attack on his economic policy by Mr Eduardo De La Fuente, president of the Argentine Industrial Union, set aside his prepared speech on Wednesday night and, in a querulous voice, blamed the problems encountered by his economic team on the fall in commodity prices and the rise in interest rates payable on the foreign debt. He then announced his intention to seek a freeze on interest rates "to defend the interests of the Argentinian people."

Mr De La Fuente called for a drastic change in the direction of economic policy. Industry needed "a vigorous internal market" as a basis for growth and export expansion. Policies of import substitution, a lowering of interest rates and an end to the "monetarist culture" were necessary to re-establish investor confidence.

Reflation of the economy, through a stimulation of domestic demand, is also one of the proposals put forward by economists linked to the Peronist Party. Such proposals, however, clash directly with those made by Argentina's creditors and the IMF.

Just last month, Argentina finalised loan agreements with its creditor banks to reschedule

Continued on Page 22

Imports drive down Japanese surplus

By Ian Rodger in Tokyo

THE VALUE of imports into Japan soared by a third last month as the strengthened yen finally began to have a strong impact on the country's trade.

The imports surge drove the country's trade surplus down to $5.15bn on a customs-cleared basis, 31 per cent lower than in August 1986.

On the Tokyo foreign exchange market the figures lifted the dollar, but they came too late to have an impact on the Tokyo stock and bond markets, which were weaker.

Japanese trade officials said the sharp increase in imports reflected the impact of the strong yen on trading patterns, the effect of Japanese investment in plants abroad and official efforts to open the Japanese market.

It was the fourth successive monthly decline in the trade surplus. The value of imports last month rose 32.9 per cent to $12.4bn, while that of exports rose only 4.4 per cent to $17.58bn.

Japan's surplus with the US fell to $3.7bn, 15 per cent lower than in August 1986. It was the first year-on-year drop in the bilateral surplus for five months. Exports to the US were down 1.6 per cent to $6.39bn, while imports from the US rose 27.5 per cent to $2.66bn.

The surplus with the European Community fell 14.5 per cent to $1.38bn. Imports from the EC were up 19.8 per cent, while exports rose 1.4 per cent.

Mineral fuels, where imports were up 45 per cent to $3.2bn in the month, led the surge in imports, reflecting mainly the increase in oil prices this year. A sharp rise was also seen in machinery imports, up 37.8 per cent to $1.5bn, indicating the in-

Continued on Page 22

US believes most weapons-treaty hurdles cleared

BY QUENTIN PEEL IN BRUSSELS AND ROBERT MAUTHNER IN LONDON

THE US considers that most major obstacles to the early conclusion of an agreement between Washington and Moscow on the world-wide elimination of medium-range missiles have now been removed, two of President Ronald Reagan's top officials said yesterday.

In another sign of the momentum for a missile deal, President Reagan is to hold "substantive" talks with Mr Eduard Shevardnadze, the Soviet Foreign Minister, at the White House next Tuesday. The meeting, which had been expected, will give the President the opportunity to discuss progress in the arms control negotiations before Mr Shevardnadze has further talks with Mr George Shultz, the US Secretary of State.

At separate press conferences in Brussels and Washington respectively, Mr Paul Nitze, chief arms control adviser to the President, and Mrs Rozanne Ridgway, Assistant Secretary of State for European Affairs, were optimistic about the prospects of a superpower deal, while stressing that technical details still remained to be tied up.

They were also hopeful that an agreement on the reduction of long-range strategic nuclear weapons could be reached in the near future. Mrs Ridgway even said such an accord could be concluded before President Reagan left the White House at the end of 1988.

At the same time, Mr Nitze accused the Soviet Union of raising new last-minute "artificial problems" over the removal of the warheads on 72 Pershing 1A missiles owned by West Germany.

Mr Nitze said the announcement by Chancellor Helmut Kohl of West Germany that these missiles, which are equipped with US-controlled warheads, would be dismantled, had "liquidated that issue." But the Soviet negotiators were still insisting that any intermediate-range nuclear forces agreement must refer to them.

In an interview with the Guardian yesterday, Mr Viktor Karpov, the Soviet Foreign Ministry's chief arms control adviser, said Moscow was insisting some 400 Pershing 1A warheads held on American soil, in addition to the 72 in West Germany, must also be destroyed.

However, Mr Nitze, who was briefing Nato ambassadors on the latest state of the Geneva arms talks ahead of next week's meeting in Washington between Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, his Soviet opposite number, underlined the US's position that the talks were about missiles, not warheads.

"We think they have created some artificial problems which must be got out of the way," he said. "We are optimistic we can work it out if the Soviets wish to work it out."

He said two issues still needed to be worked out in detail by negotiators in Geneva: inspection and verification of the disarmament agreement, and the timetable for the phasing out of the missiles by both sides.

Mr Nitze declined to give any likely timescale for a conclusion of the negotiations because a "lot of detail was left to be resolved." Nevertheless, the two delegations were already working on a joint draft text of an agreement.

US telephone restrictions eased by federal judge

BY JAMES BUCHAN IN NEW YORK

US REGIONAL telephone companies, broken off from the American Telephone & Telegraph company in 1984, were yesterday permitted by a Washington federal judge to offer the public advanced electronic information services.

In a major ruling, the court freed the seven regional companies, known as the Baby Bells, to transmit information services, such as videotex, down their local networks.

But Judge Harold Greene, in a lengthy ruling regarded as his most significant since he approved the break-up of AT & T's Bell System monopoly, rejected the Baby Bells' requests to generate such information themselves, to manufacture telecommunications equipment and enter the long-distance market still dominated by AT & T.

He said that the companies' monopolies over local telephone lines would still give them an unfair edge in these businesses.

But Judge Greene, who oversees the anti-trust settlement reached between AT & T and the US Justice Department, did drop his insistence that the Baby Bells seek the court's approval before entering businesses outside telecommunications.

Although the Baby Bells gained only partial success yesterday, Wall Street responded favourably.

"Anything that allows the Bell operating companies to go into value-added, rather than commodity services, is beneficial," said one analyst.

In explaining his continued restrictions, Judge Green said that if the regional companies were allowed to sell information services, they might be tempted to limit the access of competing information providers to their local networks.

Meanwhile, allowing them to enter the manufacturing and long-distance markets would re-create the anti-competitive conditions of the old system.

"The regional companies would have the same incentives, as well as the same means for discrimination, manipulation and cross-subsidisation that the Bell System possessed before the break-up," he said.

IMF optimistic for '88 growth

THE IMF takes a relatively optimistic view of the world economy in 1988 but it believes that large trade external imbalances remain the greatest threat to a sustained recovery AP-Dow Jones reports from Paris.

The Fund's view that the momentum of growth will be maintained in the near term contrasts with fears voiced by some economists that the five-year-old world economic recovery may be fizzling out.

The Washington-based organization admits that its economists have scaled back their forecast for inflation-adjusted growth in the industrial countries in 1988 to 2.6 per cent in 1988 from the 2.8 per cent rate they had estimated last spring. However, the revised 1988 figure still represents an acceleration from the 2.4 per cent growth rate that the Fund now expects for 1987.

The latest predictions are contained in the IMF's semi-annual world economic outlook, which has been distributed to member governments before the joint annual IMF/World Bank meetings in Washington later this month.

The IMF says economic activity is being underpinned by coordinated policy changes made earlier this year by the main industrialised countries and these should help to improve business confidence and sustain demand.

The IMF has scaled back its projection for real gross national product in the US next year to 2.7 per cent from a previous forecast of 3.1 per cent. A growth rate of 2.4 per cent is expected in 1987.

The IMF has revised upward its growth estimate for West Germany to 1.5 per cent in 1987 and 2.3 per cent in 1988 from 1.9 per cent and 2.0 per cent respectively. Growth in Japan is also expected to be slightly better than was thought earlier this year: 3.2 per cent in 1987 and 3.4 per cent in 1988.

But the IMF has cut back its growth forecast for France to 1.5 per cent in 1987 and 1.8 per cent in 1988. Britain's rate of expansion is expected to drop to 2.2 per cent in 1988 from 3.3 per cent this year, while that of Italy will remain relatively steady in both years at around 2.5 per cent.

CONTENTS

CHILEAN MILITARY STRONGMAN CELEBRATES ANNIVERSARY

General Pinochet's regime shows little sign of loosening its grip on the country, Page 6

Eta bombs seen as reply to wave of arrests

BY DAVID WHITE IN MADRID

TWO fresh terrorist attacks in the Spanish Basque country were seen here yesterday as the reply by hard-line leaders of the Eta organisation to recent arrests and to the Madrid Government's renewed attempts to persuade Eta members to lay down arms.

In the first attack at Guernica, east of Bilbao, on Wednesday night, two Civil Guards were killed by a remote-controlled car bomb containing 20 kg of explosive and shrapnel.

Coming after the shooting at close range of a Civil Guard officer in Bilbao on Tuesday, it brought to 42 the total of deaths in the Basque conflict since the beginning of the year, including 21 killed by an Eta car bomb at a Barcelona hypermarket in June.

The bombing was followed by a rocket attack against a civil guard barracks at Ordizia, south of San Sebastian, yesterday morning. There were no victims, however.

A separate terrorist attack at a court near Lerida in north east Spain, in which a 60-year-old widow living next door was killed, was claimed by Terra Lliure, a small Catalan group believed on some occasions to have collaborated with Eta.

Eta had been expected to make a show of force after the arrest at the weekend of three alleged members of its so-called Barcelona Commando, held responsible for the hypermarket bombing. This was the third big breakthrough claimed by Spanish police following successful operations against Eta units in Madrid and San Sebastian.

Madrid police have been on special alert and the co-operation of the general public has been sought in order to head off a possible action in the capital, with the reported presence in Madrid of one of Eta's top figures, Mr Jose Luis Urrusolo Sistiaga.

The renewal of Eta activity is also seen as underlining the organisation's public rejection of holding ceasefire talks on the Government's terms, which clearly exclude political concessions. The offer of talks, first made in 1984, was repeated by Mr Felipe Gonzalez, the Prime Minister, two weeks ago, and the Government later confirmed for the first time that contacts with Eta had been held.

Eta, however, issued a communique criticising the lack of concrete proposals and the "intransigence" of Spanish officials in the three meetings with exiled Eta figures which it said had taken place in Algeria since last November.

Soya link to Barcelona asthma attacks confirmed

BY OUR MADRID CORRESPONDENT

THE HEAD of a medical team investigating an outbreak of severe bronchial asthma attacks in Barcelona, in which four people have died in the last week, has confirmed the existence of "a very significant relationship" between the phenomenon and the unloading of bulk soyabean shipments.

Dr Josep Asto was, however, quoted by the Barcelona newspaper La Vanguardia as saying that the chances of a further outbreak were "remote" and that the conclusions of the investigation had "nothing to do with human or industrial consumption of soya," which was regarded as a safe product.

The unloading of a 30,000 tonne cargo of US soyabeans from the Liberian-registered vessel Argus Traveler was halted half-way after the outbreak last weekend. However, health authorities have allowed three companies engaged in processing soyabeans in the area to resume activities other than unloading.

The allergy problem, which it is thought may be linked to dust from the shipments, has affected some 200 people who already suffered from respiratory troubles. About 20 were still in hospital yesterday.

Chirac delays bid to tighten nationality law

BY IAN DAVIDSON

THE GOVERNMENT of Mr Jacques Chirac has, in effect, postponed until after next spring's presidential elections its earlier commitment to tighten up France's nationality laws, to the relief of the centrists in the governing coalition, to the delight of the opposition Socialist Party, and the rage of the ultra-right wing National Front party led by Mr Jean-Marie Le Pen.

In its election platform last year, the Gaullist party and its centrist allies attempted to ward off the anti-immigrant campaign of the National Front by proposing to tighten up access to French nationality. Under the existing 1973 law, nationality is acquired virtually automatically by virtue of birth in France.

The new draft law, put forward by the Gaullists a year ago, proposed that the child of a foreigner, born in France, could only acquire French nationality by applying for naturalisation between the ages of 16 and 20, and swearing allegiance to the French state and constitution. The application would be refused if the applicant had been condemned to more than six months in prison, or failed to demonstrate sufficient knowledge of the French language.

The proposal followed another anti-immigrant move by the Government in the summer of 1986, intended to make it easier for the authorities to expel foreigners from France, on the grounds of being a threat to public order, if condemned to more than six months in prison. Though softened during its passage through parliament, the draft law was still judged in conflict with the constitution by the Conseil Constitutionnel. Yet within six weeks of its adoption in its final revised form, the new law was invoked to permit the expulsion of 101 citizens of Mali.

On the question of the nationality law, however, the Government has been showing increasing doubts since the beginning of this year, mainly because of the reluctance of centrist members of the coalition to go down a road which—though no doubt popular with a substantial proportion of the French population—would be at variance with a long French tradition, and would expose the Government and especially the Gaullists to attacks from the Socialists on grounds of human rights.

In June, Mr Chirac sought to escape from the contradictory pressures on the nationality issue from the Front National on his right, and his coalition partners in the UDF on his left, by setting up a special commission of 16 wise men, headed by Mr Marceau Long, vice-President of the Conseil d'Etat, to examine the whole question from the beginning. Yet there remained considerable doubt whether the Chirac Government still intended to press ahead with a tightening up of the nationality law before the presidestial elections next spring.

That doubt now seems to have been removed. Earlier this week, Mr Chirac indicated that the issue would be postponed until after the presidential elections unless the commission of 16 wise men should show that there was a general consensus on the question.

Unless it comes up with some unlooked-for judgment of Solomon, it seems unlikely that the Government will be able to return to the attack before the presidential elections. Such a move might appease voters from the National Front to Mr Chirac's right, but it would hand an additional weapon to his more important oppenents, Mr Raymond Barre in the centre, and (probably) President Francois Mitterrand.

Italy's Gulf task force awaits confirmation of departure date

BY JOHN WYLES IN ROME

THE EIGHT-VESSEL task force which the Italian government has assembled to aid freedom of navigation through the Gulf stands ready to sail. But after a day and a half of Parliamentary debate and still more to come, it is not yet known when the three minesweepers, three frigates and two support ships will get under way.

In some corners of the capital there are doubts about whether they ever will, and if so, whether they will actually arrive.

Late on Wednesday night, the five party coalition government comfortably secured a Senate vote of confidence on the issue and it faces a second vote in the lower House on Saturday.

Assuming that this is won, all political pretext for delaying the task force's departure will have evaporated. However, the Defence Minister, Mr Valerio Zanone, has refused to name the day, saying that he must consult the prime minister, Mr Giovanni Goria who spent yesterday meeting his counterparts in The Hague and Madrid.

The principal reason for expecting a delay, or an extremely slow passage down to the Gulf, is the peace mission to Iran and Iraq which is being undertaken by Mr Perez De Cuellar, the UN Secretary General.

"I am following the Secretary General's imminent journey with baited breath and I pray to God that the UN will succeed in securing peace with justice," was the final, heartfelt declaration to the Senate by Mr Giulio Andreotti, the Italian Foreign Minister.

He was echoing a sentiment expressed by all the governing parties that the Italian naval expedition may be rendered unnecessary by Mr Perez De Cuellar's efforts. Many influential speakers went further, however, and urged the government to withhold sailing orders until the results of his mission were known.

For the moment, the government gives the impression of wanting to act like a major European power in protecting its interests

Refugees occupy Athens offices

ABOUT 20 Kurdish and Turkish refugees yesterday staged peaceful takeovers of the Athens offices of the Associated Press international news agency, ABC Television of the US and the Turkish newspaper Gunaydin, Reuter reports from Athens.

The demonstrations, which lasted about two hours, were carried out by members of the Communist Party of Turkey (TKL) and the Turkish Marxist Leninist Party (ML) against what they termed maltreatment of political prisoners in Turkey.

A declaration handed to journalists by the refugees also denounced the death of a Turkish leftist, Mr Didar Sensoy, alleged to have been beaten by police during a protest march in Ankara on September 1.

The demonstrators, who live in a refugee camp on the outskirts of Athens, left the offices without incident and there were no arrests.

Protesters held after Iranian embassy siege

By Karen Fossli in Oslo

A GROUP who held 10 people, including two children, hostage in the Iranian embassy in Oslo were arrested yesterday after surrendering to police.

The embassy's charge de affaires, who was struck on the head, was the only person injured during the incident. Oslo police were unable to identify the origin of a number of shots heard during the seige.

The action, which lasted three hours, was part of a 10 European city protest which began yesterday morning against the Ayatollah Kohmeini's regime.

The 11 protesters are believed to be linked to the Marxist-Leninist organisation OGFPI which is based in Paris.

A Justice Ministry official said the seige was designed to protest at the export of weapons to Iran and to highlight the number of prisoners held in Iranian jails.

The official said the protesters were believed to be connected to the occupation of London's Iranian Consulate two years ago.

Iran's ambassador to Scandinavia was not in the embassy during the incident.

East German press quiet on new rules for Western imports

BY LESLIE COLITT IN WEST BERLIN

THE OFFICIAL East German press failed to publish a list of new regulations agreed on with West Germany earlier this week to widen the list of items which may be brought or mailed to East Germany.

Despite blanket East German media coverage of the visit to West Germany by the East German leader, Mr Erich Honecker, only oblique mention was made of the simultaneous announcement in Bonn that restrictions would be eased.

The new regulations allow previously banned speciality publications to be sent or brought into East Germany along with Western calendars, yearbooks and stamp catalogues. However newspapers and general interest magazines will still not be permitted.

Western officials in East Berlin said the East German authorities probably withheld the information to forestall an avalanche of requests for Western publications by East Germans with relatives and friends in the West.

Tape recordings are also to be allowed into East Germany provided they do not violate the "interests of the Socialist state and its citizens." Customs duties on electronics will be lowered to between 40 per cent and 60 per cent of the retail price in West Germany.

Travellers are to be permitted to take video recorders and tapes into East Germany but must take them back out again.

Another result of Mr Honecker's visit to West Germany is the resumption of negotiations between East German and West Berlin officials over exchanges of property on either side of the Berlin wall.

The most prominent piece of land, belonging to East Berlin, juts into West Berlin near Potsdamer Platz in the heart of pre-war Berlin and is accessible only to East German border guards. West Berlin would like to obtain the land and other bits of property on the eastern side to improve road connections along the border.

In return it is prepared to cede three uninhabited West Berlin enclaves inside East Berlin and to pay East Germany the difference in land values.

Austria widens probe into Iran arms sales

BY JUDY DEMPSEY IN VIENNA

THE AUSTRIAN authorities have begun investigations into the trading activities of several people after Mr Peter Unterweger, the former head of the arms manufacturers, Noricum, a subsidiary of Austria's largest state-run steel and engineering group, was detained last weekend on suspicion of illegally selling arms to Iran.

Mr Unterweger is under investigation for selling 200 cannon and munitions worth $800m to Iran in 1985. A spokesman for Voest-Alpine earlier this week denied that the company had "ever knowingly sold arms to Iran."

During the three-day search of Noricum's premises, which is based in Linz, the authorities found documents and papers. A court in Linz will meet next week to decide whether formally to charge and arrest Mr Unterweger, who was replaced as chairman of Noricum last April in a shake-up but who still retains a consulting role.

The new investigations involve the former management of Noricum as well as the former chairman of Voest-Alpine, Mr Heribert Apfalter, who died last month. So far, none of them has been detained. The authorities in Linz are still going through the papers seized last weekend.

It has since been disclosed in the Austrian press that as late as 1986, Noricum was selling military equipment to Libya contrary to statements by a spokesman for Voest-Alpine on Monday that all arms sales to Libya had "stopped by 1985." Austrian newspapers are openly asking whether or not the arms sold to Libya during 1985 and 1986 were shipped to Iran.

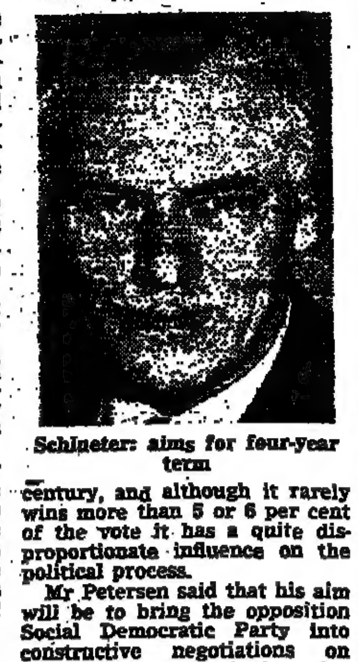
Schlueter given slim chance of staying in power

BY HILARY BARNES IN COPENHAGEN

AN EVER-OPTIMISTIC Prime Minister Poul Schlueter presented his new four-party non-socialist government to Queen Margrethe yesterday and said that desipte "extremely difficult parliamentary circumstances" he was aimin gto serve a full four-year term.

But the survival chances of his coalition, backed by only 70 of the 179 seats in the Folketing, of Parliament, appeared to shorten yesterday.

"This government won't last many months," predicted Mr Svend Auken, who is expected to take over the leadership of the opposition Social Democratic Party from Mr Anker Joergensen, who announced his resignation late yesterday.



Schlueter: aims for four-year term

Mr Joergensen, 65, a former trade union leader, has led the Social Democratic Party since 1972 and served as Prime Minister for nine of the 11 years between 1972 and 1982. The party lost two seats in Tuesday's election, which has triggered his decision to resign.

The new threat to the Government's life comes from the Radical Liberal Party, which with 11 seats can make or break the Government in the fragmented nine-party Folketing which resulted from Tuesday's election.

The party said it is no longer committed to support of the Government. "We shall consider each proposal from the Government as it is put forward," said Mr Niels Helweg Petersen, *the party's leader.*

Mr Petersen, whose role as king-maker makes him one of the most powerful men in Danish politics, comes from an old political family. His father was leader of the Radical Party before him and his wife was elected to the Folketing on Tuesday.

The party has held the balance between left and right in the Folketing for most of this century, and although it rarely wins more than 5 or 6 per cent of the vote it has a quite disproportionate influence on the political process.

Mr Petersen said that his aim will be to bring the opposition Social Democratic Party into constructive negotiations on government proposals in order to mitigate the influence of the left and right extremist parties. The Radicals are especially concerned to isolate the tax-protest Progress Party, whose nine seats give the non-solialist parties a theoretical majority of two.

But the Social Democrats do not seem inclined to respond. "There is not much perspective in co-operating with this Government," *said Mr Auken,* who described the coalition as "the worst imaginable government."

Mr Schlueter has retained Mr Uffe Ellemann-Jensen, Liberal, as Foreign Minister for another term and his Conservative Party colleague Mr Palle Simonsen returns to the Ministry of Finance. But he brought in six new faces and set up a new *Ministry of* Health.

ELECTION RESULTS

	1984 Votes Share	1984 Seats	1987 Share	1987 Seats
Conservatives	23.4	42	20.8	38
Liberals	12.1	22	10.5	19
Centre Democrats	4.6	8	4.8	9
Christian People's Party	2.7	5	2.4	4
Coalition total	42.8	77	38.5	70
Radicals	5.5	10	6.2	11
Progress Party	3.6	6	4.8	9
Right total	51.9	93	49.5	90
Social Democrats	31.6	56	29.3	54
Socialist People's Party	11.5	21	14.6	27
Left Socialists	2.6	5	1.4	0
Common Cause	0	0	2.2	4
Left total	45.7	82	47.5	85
Greenland	0	2	0	2
Faroes	0	2	0	2
Others	2.4	0	3.0	0
Total	100.0	170	100.0	179

Danish plan aims to sharpen exports

BY HILARY BARNES IN COPENHAGEN

A SET of measures to improve the competitiveness of the Danish export industry will be among the first to be presented to Parliament by Prime Minister Poul Schlueter's coalition Government when it reassembles on October 6 following Tuesday's election.

The measures will include swifter reimbursement of VAT for export companies, better depreciation rules for research and development and a slightly milder tax regime for export salesmen.

The proposals are welcome to embattled export businesses, but they will make more than a small impact on the overriding problem of the Danish economy, its slow slide into the mire of international indebtedness through 25 consecutive years with current account deficits.

The net foreign debt will pass 40 per cent of the gross domestic product this year and approach 130 per cent of current account revenues. Interest on the foreign debt is now costing almost 4 per cent of gross domestic product at around DKr 25bn (£2.2bn) a year.

Against this background, the prospect of a period of parliamentary instability is worrying the business community. As one of the country's foremost economists, Professor Anders Oelgaard, commented: "The economic problems will be very difficult to solve if the unstable political situation lasts for very long."

But Mr Schlueter and Mr Palle Simonsen, the Finance Minister, can take comfort from the fact that the current account deficit, which soared to 5.2 per cent of the GDP, at DKr 34.5bn, last year, is expected to fall by half this year, and there may be some further improvement in 1988.

This development has a less happy aspect to it. A fall of about 1 per cent in the GDP is expected in 1987, and according to the OECD's August survey of Denmark, it will not recover in 1988.

The recession follows tough fiscal measures introduced last year, which brought an abrupt halt to a three-year boom in private consumption and investment. Imports in the first five months of this year fell by 13 per cent, but exports also fell, by 5 per cent. The trade balance improved dramatically, however, from a deficit in the same period last year of DKr 7.1bn to a surplus of DKr 990m.

Unemployment, running at a reasonally adjusted rate of 8 per cent, has not shown any signs of rising so far, but all forecasters expect that it will rise to around 10 per cent next year.

The rise in hourly wage costs this year is one of the most worrying current trends. The working week was cut by an hour at the end of last year and will be cut by a further two hours to 37 hours by 1990, with full wage compensation.

Employer social security costs were put up by 1¼ per cent this year as well. Wage rates in the second quarter were up by about 7-8 per cent compared with last year.

Mr Schlueter — with the emphatic support of the Social Democratic opposition party, has made an unchanged seasonally adjusted rate of 8 exchange rate against the Ecu (Denmark is a member of the European Monetary System) a bulwark of his anti-inflation policy, and he received support for this approach from the OECD report on Denmark in August, which said that a policy of exchange rate stability was essential.

The foreign exchange markets seem to have taken this to heart. Although the krone weakened slightly on Wednesday, the currency was not in trouble in quiet trading yesterday.

Italy seeks to delay EC steel decision

By John Wyles in Rome

THE ITALIAN Government is seeking a postponement of the meeting of European *Community industry* ministers set for September 21 which is to discuss proposals to reduce the EC's steel capacity by 30m tonnes.

A spokesman for the Ministry of State Participation, which oversees the public steel sector, said yesterday that member states were so divided over the European Commisison's proposals that "it would be better to give officials more time to work on them."

However, the Italian initiative also has a strong domestic component and follows a pressure on the government from Mr Romano Prodi, the president of Iri. He is ultimately responsible for the loss-making state steel company, Finsider, and wants to buy time for the president and chief executive he installed in July to produce a revised corporate plan aimed at putting the group back in the black by 1989.

The plan should be ready by the end of the month when the Finsider management will begin discussions with ministers and trade unions. Before then, the Government will want to avoid entering into any commitments at a European level on Finsider's future size and shape.

Finsider lost L980.4bn (£455m) last year and is badly in need of recapitalisation and restructuring. The general expectation in Rome *is that the Government would* come under early pressure from Brussels to close the Neapolitan rolling mills at Bagnoli with the loss of 3,500 jobs.

Workers there are already organising regular protests against closure. Meanwhile, an agreement has just been signed between Fiat and the Ministry of State Participation to produce a development plan for the area

Opposition in Ankara angry at early election

By David Barchard in Ankara

TURKEY'S THREE main opposition parties yesterday held long meetings to discuss a possible boycott of the country's general elections on November 1.

The opposition parties are objecting to a change in electoral law, passed by the Turkish Parliament on Wednesday, that means parties will have to get more than 24 per cent of the vote in order to win places in parliament. They also claim that the campaign organising period, two months instead of the customary three, is too short, and that electoral registers are out of date.

A further objection to the proposed date is that it comes less than a week before a five-year military ban expires on voting by 2.4m Turks. The ban was a punishment for not casting their votes in the 1982 referendum.

A spokesman for the centre-right True Path Party said yesterday that the party would go ahead with the boycott if the other main opposition parties, both left of centre, agreed.

But most observers here feel that the opposition parties will have difficulty in agreeing a joint strategy. Mr *Ozal's decision* to hold a snap election has clearly caught the opposition off balance.

Swiss inflation rate edges up

By William Dullforce in Geneva

INFLATION in Switzerland, reputed in recent years for the stability of its consumer prices, has started to edge up faster. In August the consumer price index rose by 0.4 per cent, indicating an annual rate of 2 per cent compared with 1.8 per cent in July and 0.7 per cent a year ago.

Last month for the first time since September, 1985, prices of imported goods rose slightly faster than those of domestically produced goods, the Federal Bureau of Statistics reported. This change was marked by higher prices for imported oil products, fruit and vegetables.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R. A. F. McClean, G. T. S. Damer, M. C. Gorman, D. E. P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: D. Albino, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1, © The Financial Times Ltd, 1987.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Kenneth Gooding on the FT World Motor conference in Frankfurt

Motor industry downturn forecast

FT CONFERENCE World Motor

THE WORLD motor industry is heading for a downturn which could be far worse than the deep recession of 1980-81, warned Mr Roger Vincent, Bankers Trust managing director, yesterday.

But the industry is in far better *shape now* "while the next downturn might be severe I do not expect that the number and names of vehicle manufacturers will look much different from today.

The coming recession could take on very serious proportions because of a combination of worldwide over-capacity for car production, a US led recession, inflationary pressures and rising protectionism, he said.

The big risk relating to over-capacity, which could make the financial consequences of the next downturn worse than 1980-1981, would be a massive battle for market share throughout the middle range of the US car market.

"Such a battle would inevitably pull down the pricing structure across the entire product range of automobiles sold in the US with a spillover impact on virtually every automaker and component supplier.

Mr Vincent pointed out the global position of the industry was not well balanced but had become too dependent on one market—the US for its profits.

An analysis of the industry's operating cash flow (net income plus depreciation and amortisation, less capital expenditure and dividends), which indicates a company's ability to pay for its forward needs on a current basis, showed the three major US groups already have dipped to negative operating cash flow; the Japanese have experienced a dramatic drop and only the European specialist car producers had been able to sustain a *high level.*

The European volume car producers had shown enormous improvement but their cash flow had not become positive in the peak of the cycle and they will enter the next downturn without the benefits of the financial reserves built up by other groups.

Mr Scott Merlis, Morgan Stanley vice president, maintained automotive company stocks were the cheapest in the world relative to their past earnings and cash flow.

The reason was that investors remembered cataclysmic earnings collapses by mass producers in the 1970s, when some companies nearly went bankrupt. He believed this would not happen again in the 1980s.

Volkswagen shares were the cheapest in the industry suggested Mr Merlis with General Motors in second place.

He suggested that if GM accomplished only half its $1,800 car cost reductions target over the next five years it would mean a 60 per cent improvement in the company's average earning power from $3bn to nearly $5bn.

Mr Merlis also recommended Honda, Jaguar and BMW as shares to buy.

Mr Giorgio Garuzzo, Iveco managing director, said further restructuring of the European truck *industry* must be expected because there were still too many manufacturers with too much excess capacity. He pointed out that the ability of the European truck manufacturers to tailor vehicles to specific requirements created a barrier difficult for non-European producers to get over—if not helped to do so by Europeans themselves.

"To my mind, advanced specialisation of this kind has provided European *industry* in general with a stimulus to innovate and to develop more and more sophisticated techniques giving it undisputed leadership over the rest of the world.

"For this reason I am not an advocate at all costs of unifying the regulations governing the weight and dimensions of trucks within Europe."

Mr F. Perrin-Pelletier, councillor to the president of Peugeot, warned that cars would continue to get more expensive and customers must expect price increases averaging 2 per cent to 3 per cent a year.

This was because customers were demanding cleaner, safer, more powerful, better equipped and more distinctive cars.

He said that the harmonisation of the economic policies of the various EC countries as desired by the Commission, risked accentuating the significant fluctuations in car demand faced by manufacturers which at the moment could rely on falls in one market being compensated for by increases in another.

The European car industry might therefore see by 1992 swings of 30 per cent in demand from one year to another as has happened in North America.

Prof Noritake Kobayashi of the Graduate School of Business Administration, Keio University in Japan, suggested the motor industry needs to have some sort of global sur*veillance system which would* monitor the changing trends of supply and demand worldwide, provide a forum in which industry and Governments would be represented and which would develop practical and constructive solutions to the problems to come.

He and other speakers suggested that international alliances presented an effective solution, to those problems.

"Whatever major problems *the automotive industry may* confront the formation of effective strategic alliances across national borders is the key to the continued orderly development of this very important industry which purports to serve the human need for free and efficient mobility," he said.

Mr John Hardiman, Ford of Europe vice president for parts and service operations, suggested that after sales and service has become one of the most important factors of all in determining competitive vehicle market shares and the overall success of individual manufacturers.

Vehicles could no longer be sold in isolation but were part of a total transportation package of "comfort, convenience, value and reliability throughout the ownership cycle."

Dr Hans Jorg Mauger, member of the Executive Board of Robert Bosch, suggested that for the supplier industry, the big growth potential lies in the delivery of new and *sophisticated systems and components* to the automotive companies. Such products have been made feasible by the recent rapid technological advance, particularly in electronics.

Mr Herman Franz, Siemens executive vice president, said the increasing use of electronic systems in cars would involve drivers being excluded more and more from the physical control of the vehicle. In future they would indicate their wishes and electronic systems would then take over to "drive the car." Mr Franz predicted cost reductions would make the necessary electronic hardware completely affordable.

Mercedes' Mitsubishi truck link attacked

By Kenneth Gooding, Motor Industry Correspondent,

AN OUTSPOKEN attack on the decision by Daimler Benz, West Germany's largest automotive group, to link with Mitsubishi of Japan in a joint van venture came yesterday from Mr Giorgio Garuzzo, managing director of Iveco, the Fiat-owned group which is Europe's second largest heavy truck producer.

The venture would give Daimler the opportunity to import technology, components and possibly built-up vehicles to Europe from Japan, and other European commercial vehicles producers might be forced to follow suit, he said.

There was already substantial over-capacity in Europe, something Daimler had previously pointed out, on many occasions. "Competition in Europe already is very severe and there is no need for added competition."

Mr Garuzzo suggested there were many potential West European partners which Daimler could have considered, "or if it had wanted to disinvest there would have been no shortage of European buyers."

He pointed out that Iveco, which has plants in Italy, France, West Germany and the UK, had pulled itself out of severe financial difficulties caused by the deep recession in truck demand through painful re-structuring which had been expensive and often attracted criticism. But the group had resisted the temptation to look outside Europe for assistance.

There was a danger, Mr Garuzzo claimed, that the proposed Daimler-Mitsubishi deal would divert the European Commission's attention away from what he claimed were unfair competitive practices of Japan, not only those affecting the motor industry.

OVERSEAS NEWS

Scheherazade Daneshkhu and Charles Miller describe Iran's factions

UN confronts a divided Tehran

THE VISIT to Tehran which Mr Javier Perez de Cuellar, the United Nations Secretary-General, begins today has brought into focus again the divisions within Iran's ruling hierarchy.

Iran's delay in responding to US Security Council resolution 598, which calls for an end to the Guf war, has been in part tactical, but it is also the manifestation of an inconclusive bout of infighting between hard line and pragmatist factions on this most sensitive of issues.

The UN Secretary-General is, of course, going to Tehran and Baghdad with a specific aim: to secure full implementation of the ceasefire resolution, not to renegotiate it.

But the fact that he is going at all is an indication that the pragmatists are by no means a spent force. If they come out on top in the next few days, they are likely to try and keep a dialogue with the UN going, insisting that Iraq be named as the original aggressor in the war but perhaps back-pedalling on Iran's five-year-old demand for the removal of Iraqi President Saddam Hussein *before* agreeing to a ceasefire.

The hard line faction, however, *sharply disagrees* and would like to see this resolution rejected out of hand, as all previous Security Council moves have been.

Similar disputes revolve around the issue of a final settlement. Publicly, all Iranian *leaders support the war effort* and scoff at the idea of holding peace talks. Nobody can contemplate negotiating with *Saddam Hussein, but there is some* evidence to suggest that the pragmatists may be prepared to talk to a Baathist party Government as long as Mr Hussein and his closest associates are removed.

The key figure remains Ayatollah Ruhollah Khomeini, who tries to stay above factional disputes but has tended on foreign policy issues and on the war to side with hardliners. Even if the pragmatists do succeed in keeping lines open to the UN, it would be difficult indeed to imagine him agreeing to consider a ceasefire.

Although the factions are not necessarily consistent on all issues (for example, the pragmatist best known to the West,

Ali Akbar Velayati

Hojatoleslam Hashemi Rafsanjani, the influential speaker of parliament, is a quasi-radical on economic affairs), a discern*able group has nevertheless* emerged which is less hard line in the main policy areas. Iranians themselves pose the *distinction in terms of radicals* and "the others." From 1985 until recently, *it* was these others that were gaining the upper hand, though in recent months *they* have suffered serious set-backs.

Political differences often reflect contrasting backgrounds. The secular pragmatists tend to be Western-educated, as in the case of Mr Ali Akbar Velayati, the Foreign Minister, while many of the secular hardliners are from the lower middle class and some *have been involved* in armed movements in such places as Lebanon. There are *similar divisions* within the clerical hierarchy.

The importance of the pragmatist faction lies in the links *it has established with large* sections of the population, including those who are not necessarily in full sympathy *with the Islamic republic.*

Should the pragmatists hold unchallenged power, they would seek to normalise relations with the West and to find a face-saving end to the war. Recent visits to European capitals by high-ranking officials such as Mr Velayati and his deputy, Mr Mohammad Jawad Larijani, were an indication of the pragmatists' continuing efforts to improve relations with Europe.

Domestically, the pragmatists would be prepared to accommo*date some of the wishes of the* "bazaaris" (merchants) and the middle class, by encouraging trade and relaxing state *interference over matters such* as dress and even drink and gambling.

By contrast, the hard-line *factions*, whose leading figures include the Prime Minister, Mr Mir Hussein Mousavi, and to some extent President Ali Khamenei, still adhere to the ideological principles on which the republic was founded. These include the idea of maintaining permanent revolution, and exporting it.

They finance Islamic resistance and terrorist movements in Lebanon, Afghnistan and Europe, through the World Organisation of Islamic Liberation Movements, formerly headed by the now-disgraced Mr Mehdi Hashemi.

There is no doubt that the *hardliners have recently been* growing in influence. The evidence includes:

● The recent diplomatic crises *with France* and *Britain*. The arrest and beating-up of a senior British diplomat, Mr Edward Chaplin, in May was most probably undertaken without the knowledge of the Foreign Ministry. The same *probably goes for* the *current* confrontation with France, involving an interpreter at Iran's Paris embassy.

*These events suggest the in*creasing influence of Hojatoleslam Mohammad Reyshahri, the head of the internal security *organisation* and a leading opponent of the pragmatist approach to foreign policy.

● The abolition earlier this year of the Islamic Republican Party, which had been a useful vehicle for the expansion of pragmatist influence domestically and the forced disbanding of an independent organisation of moderate clerical leaders. A newspaper closely associated with the latter group, Resalat, was also shut down.

One of the many ironies of recent US policies towards Iran is that they have helped the hardliners to stage their comeback. In the first place, *although* President Ronald Reagan's original stated aim in selling arms to Iran was to strengthen the moderates *within the Iranian Government*, the policy probably had the opposite effect, since it is the hardliners that are most closely associated with Iran's *arms* procurement activities.

In these circumstances, it is hard to see how Mr Perez de Cuellar's mission can succeed. If he emerges next week without Iranian agreement to a ceasefire, the stage will be set for further international moves against Tehran and a further hardening of the political line within the country.

The authors are researchers on Iran in the department of international relations at the London School of Economics.

Troops set to seize Sri Lankan rebel arms

By Mervyn de Silva in Colombo

THE INDIAN peace-keeping force is awaiting orders from Delhi to launch an operation in Sri Lanka's northern province to seize the arms which the separatist rebel groups failed to surrender after the ceasefire on August 1.

Lt Gen Cyril Ranatunge, head of the Joint Operations Command (JOC) and the senior Sri Lankan officer in charge of the north are now in Delhi to discuss the outbreak of violence in the predominantly Tamil areas and internecine fighting between rival Tamil groups.

The Liberation Tigers of Tamil Eelam (LTTE) has lost 16 men since the weekend, an LTTE spokesman said. He admitted that the "Tigers" had killed 11 members of the rival Plote grouping.

The decision to flush out arms which the groups have failed to surrender voluntarily follows a mortar attack by the LTTE on a Plote camp.

Estimates of the percentage of arms surrendered vary. The Sri Lankan authorities put the figure at less than 50 per cent while Indian officers say it is nearer 7 per cent, including nearly all heavy weapons.

The Tigers who have accused the Indian troops of "colluding" with rival groups (a charge denied by the Indian high commissioner, Mr Dixit) have begun an anti-Indian poster campaign.

The LTTE claims that "criminal" and anti-social elements have been released from detention in Madras, south India, and brought back to the island's northern province to "tame" the Tigers

Afghanistan and Pakistan fail to agree Soviet pull-out date

BY WILLIAM DULLFORCE IN GENEVA

AFGHANISTAN and Pakistan narrowed the gap between them, but failed *in four days of talks here to* agree on a timetable for the withdrawal of some 115,000 troops from Afghanistan.

Mr Yaqub Khan, the Pakistani Foreign Minister, put the blame for the setback squarely on the Afghans. *The latest* round – the 11th since 1982 under UN auspices – had not produced the results Pakistan had the right to expect after the Kabul regime had called for it, Mr Yaqub Khan said.

Kabul's offer to resume talks had been accompanied by *indications* that something substantial would be proposed, the Pakistani minister said.

Soviet officials said last month that specific dates for the Soviet withdrawal would be set in Geneva and US officials indicated that Washington could be moving towards accepting a one-year timeframe for the pull-out.

When previous talks stopped in March Kabul had proposed an 18-*month period for completing* the withdrawal while Pakistan was still insisting on seven months. This week the Pakistanis moved to eight months and the Afghans to 16 months but only after the Afghans had insisted on the Pakistanis mak*ing the first move.*

Kabul's call for new talks had been a propaganda ploy to disarm criticism that might be voiced at the session of the UN General Assembly which opens later this month, Mr Yaqub Khan implied.

However he exempted the Soviet Union from criticism. Pakistan believed in the sincerity of Mr Mikhail Gorbachev in wanting an Afghan peace settlement, he said.

Mr Diego Cordovez, the UN under-secretary who acts as link between the two delegations (they do not sit together because Pakistan does not recognise the Kabul regime) suggested that the next step should come from within Afghani*stan.*

Some mechanism needed to be put in place for the Soviet-backed government in Kabul and the Afghan muhajeddin leaders fighting the Soviet Army to negotiate the re-unification of their country before a peace settlement could be reached, he said.

A timeframe for the Soviet pull-out could not be settled without a beginning to the process of re-unification, Mr Cordovez said after expressing his disappointment.

Afghanistan is one of the items on the agenda for Mr George *Shultz*, the US secretary of state, and Mr Eduard Shevardnadze, the Soviet foreign minister, when they meet in Washington next week.

US and *Soviet officials started* two days of talks on Afghanistan and the situation in the Gulf in Geneva yesterday.

Australian coal miners begin week-long strike

BY CHRIS SHERWELL IN SYDNEY

MORE THAN 28,000 Australian coal workers yesterday began a week-long strike at scores of mines in Queensland, New South Wales and Tasmania, in a desperate last bid to limit mine closures and job losses.

Falling world coal prices and *tight markets have exposed the* costs of inefficient work practices and government charges at Australian mines, forcing a restructuring of the country's biggest export-earning industry.

On Wednesday, the Miners' Federation won the Australian trade union movement's support for its idea of a national coal marketing authority.

Yesterday, miners' leaders demanded a meeting with federal government ministers to explain their lack of support for the proposal. They said the government had previously agreed to consider the plan.

Coal employers have meanwhile repeated warnings that the stoppage threatens the export trade. There have been reports that at least two *Japanese ships have decided* not to dock and load export coal.

The miners are not due to meet again until next Thursday, to decide their next move. The strike is expected to cost the industry around A$140m, but is thought unlikely to halt the restructuring process.

Several thousand jobs are epected to vanish. Closures are expected at less efficient underground mines in New South Wales.

SA police arrest 173 in Natal riots

SOUTH AFRICAN police, using sweeping anti-riot emergency powers, have arrested 173 blacks during incidents in Natal province, police said yesterday, Reuter reports from Johannesburg.

Areport on black township *violence said 129 men and 42* women were detained on Wednesday while attending an illegal gathering at KwaMashu *township near Durban on the* Indian Ocean coast. No further details were given, on the second night of increased town*ship agitation in* Natal.

At nearby KwaNdengezi township, two youths were arrested after a group of blacks stoned a security force patrol, the statement added.

Two women were slightly in*jured when bus windows were* shattered by stone-throwers in separate incidents at Clermont outside Durban.

UK 'involved in US Gulf force'

BRITAIN'S military *involve*ment with the large US naval task force in the Gulf appears to be much closer than the Government has officially acknowledged, a study by Bradford University's School of Peace Studies *claimed yester*day, Andrew Gowers reports.

It cited reports from Washington *suggesting* that the two Nimrod reconaissance aircraft which Britain dispatched to Oman last month—ostensibly on a training mission—were in fact part of a joint US/UK military operation aimed at identifying and sinking small Iranian boats involved *in planting* mines.

The report also quoted plans said to date back to 1984, *whereby Britain* would help the US to keep open *the* Strait of Hormuz in the event of an Iranian naval blockade.

South Korean opposition rivals fail to heal rift on constitution

RIVAL POLITICAL leaders yesterday failed to resolve differences blocking the adoption of a new constitution designed to bring greater democracy to South Korea, AP reports from Seoul.

Meanwhile, Mr Kim Dae-Jung, the opposition leader, said he had not decided whether to run for president despite being cheered by hundreds of thousands of people on a southern tour.

The *constitutional talks are due* to resume today. The remaining disagreements concern when the new constitution should take effect and when to hold parliamentary elections.

The main opposition party says the new constitution should take effect before the presidential elections, scheduled for sometime before December 20. Otherwise, it says, the election would have no legal basis.

The ruling Democratic Justice Party wants the constitution to take effect on February 25, the day after the inauguration of a *new* government. Otherwise, *it says*, the current government would lose its constitutional legitimacy.

The ruling party insists that the parliamentary elections be held before the inauguration of a new government but the opposition wants them two months after the transfer of power.

A key feature of the new constitution, which still needs approval by the National Assembly and a national referendum, is direct presidential elections.

Mr Roh Tae-Woo, the ruling party's head, has been designated its presidential candidate, but the opposition has yet to pick its candidate.

B E T T E R. B Y D E S I G N.

Take the winner for a lap of honour.

The Car of the Year 1987 awaits your test drive.

BACKED BY THE WORLDWIDE RESOURCES OF GENERAL MOTORS

V A U X H A L L C A R L T O N.

"CAR OF THE YEAR" IS ORGANISED BY THE DAILY TELEGRAPH, AUTOPISTA, L'EQUIPE, QUATTRORUOTE, STERN, VI BILAGARE AND AUTOVISIE.

White House to seek $270m in aid for Contras

BY NANCY DUNNE IN WASHINGTON

MR GEORGE SHULTZ, the US Secretary of State, yesterday pledged intensive diplomatic support for the Central American peace agreement but told Congress the administration would, in any case, seek an additional $270m over 18 months in aid for the Nicaraguan Contra rebels.

In a wide-ranging review of the administration's position on Nicaraguan peace efforts before the Senate foreign relations committee, Mr Shultz praised the substance of the Central American peace plan, calling it a good framework, which, however, left "some vital things" vague and failed to deal with some of the US's security concerns.

By implication he gave US policies much of the credit for the plan, saying Mr Daniel Ortega, the Nicaraguan President, had been pressured to sign by the "increasing success" of the Contras and the bi-partisan peace plan offered by President Ronald Reagan and Mr Jim Wright, the House of Representatives Speaker.

On the diplomatic front, Mr Shultz promised the US would work to strengthen the plan, and he announced that the President would appoint Mr Morris Busby, the Deputy Assistant Secretary of State, to be roving ambassador to Central America to co-ordinate the efforts of chiefs-of-mission in each country.

President Reagan has also selected a nominee as ambassador to Nicaragua, a career foreign service officer, whose name has not yet been made public, he said. In addition, he is nominating Mr Deane Hinton, former ambassador to El Salvador and Pakistan, to be ambassador of Costa Rica.

Mr Shultz said the President viewed the new aid request "as a constructive force for peace" because it would continue to put pressure on the Nicaraguan Government to abide by its commitments under the peace plan.

Speaking to a Congress already cynical about Nicaraguan aid in the wake of the Iran/Contra affair, the secretary stressed the bi-partisan efforts of the past. He urged Congress "to end the doubt and uncertainty about the capacity and commitment of the US that is created by the recurring cycle of off-again, on-again aid decisions punctuated by protracted and divisive debate."

The new aid, he said, "is what the resistance needs—for training, equipment and other support." However, he seemed to imply, during the senators' questioning, that the administration would be willing to use the funds for economic and development assistance to Nicaragua if promises by Mr Ortega to "democratise" were fulfilled.

Tax-break plan for debt

BY ALEXANDER NICOLL

AN innovative plan for banks to transfer African and Latin American loans to charities which would put debt service payments to work in debtor countries was unveiled yesterday by the UN Children's Fund (Unicef).

Mr Richard Jolly, Unicef deputy executive director, said in London that the fund was negotiating with several US banks and that one was considering the scheme, Debt Relief for Child Survival.

Banks would make over a portion of their loans to Unicef, which is registered as a charity in the US and other countries, making donations tax deductible.

Unicef would assume the claim on the developing country and would seek interest and principal repayments in local currency. This would reduce the debtor country's foreign exchange burden as well as enable Unicef to spend the money on alleviating poverty in that country.

The amounts of money concerned would be quite small in relation to the overall Third World debt burden, but would still be significant: one bank was said to be discussing a $5m conversion.

Brazilian industrial output down for July

By Ann Charters in Sao Paulo

THE BRAZILIAN economy is officially two weeks into its flexible pricing phase following a two-and-a-half-month price freeze put in place in mid-June under the plan of Mr Luiz Carlos Bresser Pereira, the Finance Minister.

Prices on goods such as clothes, shoes, furniture and services, may be adjusted freely. This has been the case in practice, since the government has no effective means of controlling prices on small and medium-sized companies.

The prices of gasoline and alcohol, used as a fuel, rose 8 per cent last week for the sixth time this year.

However, there are now more industries subject to government-approved price increases as the government attempts to keep some prices and salaries rising at roughly the same rate.

Industrial production for July declined 5.9 per cent compared with the same month in 1986, according to the government institute responsible for economic data, the IBGE.

This is the first negative result since March 1984 when the country was emerging from a two-year recession. IBGE analysts predicted that production would decline through the third quarter of the year, with the most growth potential showed in industries that produce chiefly for exports.

The motor industry, which had a slow month in August in domestic sales, predicted a slight upturn in demand now that government taxes and surcharges on the retail price of cars have been reduced and new models are starting to roll off assembly line.

Vehicle exports to August reached $1.7bn, up 54.7 per cent compared with the same eight months a year ago in value terms, and up 87.7 per cent in volume at 237,000.

The government's foreign trade agency CACEX reported that for the first six months of the year 250 companies were responsible for 68.4 per cent of the country's exports of $10.6bn, up from their contribution of 66.5 per cent in the first half of 1986.

Mary Helen Spooner looks at the mood of Chile after 14 years of military rule

Pinochet shows no sign of loosening grip

AT THE SIDE of a mountain road linking Santiago with the country town of San Jose de Maipo, Chilean officials this week held a memorial service for the five presidential bodyguards who died one year ago when leftist guerrillas opened fire on General Augusto Pinochet's motorcade.

Speaking at the site of the attack, the Chilean military strongman, who today celebrates his regime's 14th anniversary, called on his countrymen to choose between "order and chaos, democracy or disorder."

Even as the end of his current term in office looms just 18 months away, Gen Pinochet shows little inclination to loosen his grip on the country. In a recent interview with Chile's pro-government newspaper El Mercurio, the 71-year-old head of state cagily declined to say whether he would seek the junta's nomination for the one-candidate presidential plebiscite to be held late next year, but said he felt more energetic now than he did in 1973, the year his regime came to power.

The regime's constitution provides for a presidential plebiscite to be held a few months before Gen Pinochet's presidential term ends, with a single candidate chosen by the military junta. If this candidate wins he will serve an eight-year term ending in 1977 and if he loses Gen Pinochet will remain in office for another year until open presidential elections could be held.

The latter scenario provides, in the words of a diplomat in Santiago, "the only system in the world where the winners go home and the loser stays."

A recent opinion survey by the Latin American Social Sciences Faculty (FLACSO) indicates that from 12.5 to 17 per cent of those polled would vote "yes" in the presidential plebiscite if Gen Pinochet were the candidate, with more than 40 per cent voting "no" and the remainder either abstaining or failing to respond.

When asked how they might vote if a pro-Government civilian were the candidate, the response were similar and if another military officer were the candidate, an even smaller group would vote "yes." In recent years opinion polls have been the only way of scientifically measuring the political climate in Chile.

The survey also asked Chileans what actions they would be willing to take in order for "the country to be as you want it." Among Santiago respondents, more than a fifth were willing to risk their jobs and 14 per cent indicated they were willing to spend time in jail.

Another question asked if in

Gen Pinochet: feeling more energetic than when he took power

Chile it was possible to express one's political opinions freely, or was it better to be cautious. Nearly four-fifths answered that it was "better to be cautious."

The Pinochet regime does not appear to be discouraged by such polls. The Government's own occasional opinion surveys do not suggest any significantly greater support. The Government seems to be relying on the general sense of apathy concern with pocket book issues. With the economy growing at more than 5.5 per cent and unemployment falling, the Government has an important margin of manoeuvre.

A directive from Chile's Interior Ministry, recently leaked to the press, urged the country's mayors to undertake a poitical campaign in favour of the Government and said that municipal government funds shoult not be expended "in a merely administrative fashion."

The document also said Chilean opposition groups were undertaking a "massive propaganda campaign" aimed at damaging the Government and that the officers of such groups should be "located, placed under permanent surveillance, analysed and neutralised in an adequate manner."

The "massive propaganda campaign" by opposition groups which the Chilean Interior Ministry described is a buding movement for free elections, backed by most of the country's political parties expect for the extreme left and right. Last week opposition groups held mock balloting exercises in three southern cities and received authorisation to do so from the local military governor.

Opposition groups are also urging the public to register to vote, as a probable prelude to a "no" campaign

According to calculations drawn from the electoral registry and the government national statistical institute, only 20 per cent of Chileans over 18 had signed up as August 31 and if the curre[nt] registration rate continue[s] only 3.5m of the nearly 8 eligible voters will be inscrib[ed] one year from now when t[he] plebiscite is likely to be hel[d]. Given the higher degree of reg[is]tration among government su[p]porters, the régime is countin[g] on some numerical advantage.

Ironically, an unexpect[ed] source of support for t[he] régime's hard-line polici[es] might be generaed by a rece[nt] upsrge in terrorist activity. T[he] Manuel Rodrigues Patriot[ic] Front, the guerrilla grou[p] which claimed responsibili[ty] for last year's presidenti[al] assassination attempt, [has] emerged after months of re[la]tive inactivity.

On September 1, the Fro[nt] kidnapped a senior Chile[an] army officer outside his hou[se]. The guerrillas managed [to] elude a cambined army a[nd] police dragnet in Santiag[o] issuing two communiqu[es] accompanied by colour pho[to]graphs of the army colo[nel].

A leader of the Christi[an] Democrats, Chile's largest opp[o]sition political party, describ[ed] the kidnapping as a crimi[nal] act and warned that its politic[al] consequences would be "a cl[os]ing of ranks among the arm[ed] forces, a confirmation of t[he] suspicions of the extreme rig[ht] and a strengthening of t[he] country's latent anti-comm[un]ism."

Mexico ruling party rebels launch platform

BY OUR FOREIGN STAFF

THE DEMOCRATIC CURRENT, a dissident faction of the ruling Institutional Revolutionary Party (PRI), this week launched a "democratic proposal" criticising government policies and calling for reformist party members and progressive groups to forge democracy in Mexico.

The proposal, which amounts to an electoral platform for the 1988 presidential race, offers a sweeping appeal to the PRI's corporatist sectors — peasants, workers and "popular" urban classes. It calls for reinstatement of traditional populist programmes including subsidies on basic foodstuffs and expanding social security coverage, and reiterates the Democratic Current's proposals to suspend or limit service payments on Mexico's $100bn foreign debt.

Just a week before the PRI convenes to debate its electoral platform for next year's presidential race, the DC denounced the government's economic policies as a "neo-colonial project" and said political practices were despotic.

Flaunting a Mexican tradition that prohibits directly criticising a sitting president, the DC proposal calls for the building of a "national movement" against the "imposition of continuity," a reference to President Miguel de la Madrid's pledge to continue his economic programme that has eroded purchasing power by 50 per cent in nine years while liberalising trade.

Analysts believe the president will choose his successor from those who assure continuity of his economic policies.

The DC challenges Mr de la Madrid's right to choose his successor and demands that elected PRI delegates select the party's presidential contender.

The DC is credited by many analysts with having precipitated the decision last month by Mr de la Madrid to announce the six finalists for the party candidacy and have each of them present his platform in a speech televised nationwide.

Behind the scenes politicking among "pre-candidates" and consultations with Mexican and PRI party support bases continue as the president prepares to announce his successor in the next four weeks.

INFLATION FOR the month of August was 8.2 per cent, bringing Mexico's annualised inflation rate to a record high of 133.9 per cent, the Banco de Mexico, the central bank, reported on Wednesday.

Price increases for petrol, urban transport, clothing and housing fuelled the jump in the consumer price index, the second-highest increase for the year after April's 8.7 per cent.

Accumulated inflation for the first eight months of the year reached 81 per cent, according to the figures.

The rate for August 1986 to August 1987 contrasts with last year's annual inflation rate of 92 per cent.

Analysts say that persistent and climbing inflation remains the main worry for Mexico's economy which is experiencing a mild recovery in an environment of high liquidity owing to expansion of exports, capital repatriation and an influx of fresh credit.

Argentine pool[s] prize a record

By Tim Coone in Buenos Aire[s]

A RECORD first prize of 21.[5] australs ($9m) was paid [out] yesterday on Argentin[a's] weekly football pools compe[ti]tion, known as the "prode".

The prize money is shared [be]tween 17 winners who corre[ctly] forecast the results of 13 fo[ot]ball matches played betwe[en] last Saturday and Wednesd[ay] night.

No one had won in the t[wo] preceding competitions, allo[w]ing the prize money to be r[ol]led over. More than 6m tick[ets] were sold seme to punters fr[om] neighbouring countries.

The pools in Argentina [are] organised by the Ministry [of] Social Welfare and some 3[?] per cent of the total inco[me] goes towards financing hea[lth] and welfare programmes.

EC set for row over S. Korean patent laws

BY OUR FOREIGN STAFF

THE EUROPEAN Community is *preparing for a serious trade* row with South Korea over claims that the country's anti-counterfeiting laws discriminate unfairly in favour of US exporters.

France and Britain are to ask the European Commission to take a tough line in talks early *next month with the Seoul* Government, which they accuse of dragging its feet on EC demands for adequate patent protection for its exports. They want *to persuade their EC* partners at a meeting of Foreign Ministers in Denmark next Monday to send a stiff warning to South Korea.

The Commission has already hinted to Korea and to member states' officials that it might be prepared to withdraw the import duty concessions the Community offers Seoul under the Generalised System of Preferences (GSP), *although* EC Governments are a long way from agreeing to such a move.

It would be the first time that the EC has used the GSP as a trade weapon; several member states oppose the idea of issuing such *threats over a system* originally designed to help developing countries. But France and Britain, supported by West Germany, are keen to ensure access to a fast growing economy which is still bristling with trade barriers.

While the heart of the dispute with South Korea is technical, it has resulted in serious practical disadvantages for EC companies selling chemicals, pharmaceutical and computer software in South Korea — the Community exports most sensitive to counterfeiting.

Fears were aroused when Seoul struck a bilateral accord *on patent infringements with* Washington last year, under pressure from US businesses increasingly frustrated with the way that that Korean *businesses were copying their* imports.

The deal gave the US two key advantages, which the Community now wants to share. *It allowed US products* to have retroactive patent protection going back seven years (or five in the case of software). That meant that any Korean product launched in the past seven years and copied from a US patent had to be taken off the local market.

The second key benefit was to allow US exporters to convert patents relating to manufacturing process into straightforward product patents. This is designed to protect products in the early stage of development.

Korea, at a meeting with the Commission last Spring, indicated that it would in principle *give EC exporters equal* treatment with the US. Korean copyright legislation passed in July came as a welcome move against the general problem of counterfeiting for the Community.

South Korea plans to send a team to the US *to boost* purchases of US machinery and reduce its dependence on Japanese goods and the trade imbalance with the US, AP-*DJ reports from Seoul.*

The Trade and Industry Ministry said the mission would visit the US next week and was expected to buy some \$400m worth of vehicle parts, machine tools and other items.

The 20-member delegation will visit Pennsylvania, Washington, Texas and other states.

HK plans new container terminal

BY DAVID DODWELL IN HONG KONG

HONG KONG will this month invite bids to develop a new storage and berthing area at the territory's Kwai Chung container terminal as it tries to cope with hectic growth in *container traffic.*

The new development, to be called terminal seven, will cover about 32 hectares of reclaimed land in Victoria harbour and will have three berths. It is likely to cost more than HK\$2bn to complete. Tender documents will be available from September 25.

Hong Kong's port has overtaken New York to become the world's second busiest container terminal. In 1986 it handled 2.77m containers, compared with 2.34m containers in New York, and 2.91m in Rotterdam.

*In the first half of 1987, con*tainer throughput amounted to 1.61m 20 foot equivalent units, a 32 per cent increase from 1.22m units in the first half of 1986. This reflects the meteoric growth in direct and entrepot trade recorded in Hong Kong over the past year.

Hong Kong's container port committee has in the past based its forecasts for port expansion on an assumption of 9 per cent traffic growth per year. However, traffic grew by 21 per cent last year, and more than 30 per cent so far this year, putting *the existing five terminals at* Kwai Chung under extreme strain.

The first berth of terminal six, the HK\$2bn three-berth facility being built by Hong Kong International Terminals owned by Li Kashing's Hutchison Whampoa, will not be ready until the middle of next year, with the terminal unlikely to be complete before the middle of 1989.

Prospective bidders that have already shown interest include Sir Yue Kong Pao's Wharf Holdings (which controls another of *the existing facilities, Modern* Terminals Ltd), and two mainland Chinese corporations—the China International Trust and Investment Corporation and China Resources, which operates in Hong Kong primarily as a trading company. Tenders are likely to close at the end of January, with the successful bidder chosen by April.

Conflict 'may hit shipping recovery'

BY OUR HONG KONG CORRESPONDENT

RECENT SIGNS of recovery in the world shipping market could be short-lived, with buoyancy still vulnerable to Middle East conflict, subsidised new buildings in countries like Japan, and low levels of ship-demolition, according to Mr William Purves, chairman of the Hongkong and Shanghai Banking Corporation, one of the world's leading shipping industry's financiers.

"The economic fundamentals of an imbalance between demand and supply remain," Mr Purves told members of the Hong Kong Shipowners' Association yesterday. He said fundamental oversupply was being masked by political factors.

Much of the current buoyant demand for vessels was due to a "surge in demand for 'anxiety' crude" as oil majors, fearing renewed conflict in the Middle East, sought to build up reserves, Mr Purves said. He noted that over 70 VLCCs were fixed out of the Gulf in July, the highest level of chartering activity since 1977.

He said demand had fallen sharply in recent weeks as stock building programmes have been completed, with chartering rates falling by 25 per cent from peak levels in the middle of August.

Container operations had *been buoyed by global growth* in containerisation, and the collapse almost a year ago of US Lines, but demand for dry bulk cargoes was sluggish, he *said, with demand falling about* 25 per cent short of supply.

He complained that shipbuilders were still subsidising *shipbuilding,* referring to a *Japanese yard earlier this year* completing a "first class" Panamax for \$16.5m.

"The yards involved must suffer enormous losses at these *levels,"* he said, *insisting* that daily rates would have to *rise* by at least \$12,000 to cover the true cost of a new Panamax.

"These rates are not achieve*able in today's* market, and therefore most new building orders may be regarded as speculative," he said.

Just four tankers or combination carriers were demolished in July, amounting to 325,000 dwt, he said, noting that this was "the lowest monthly total since September 1983," and compared with demolition last year averaging 1.3m tonnes a month.

"Rates will remain at uneconomic levels until a substantial number of vessels are taken off the market," he said.

Big petrochemical complex in Bengal

BY JOHN ELLIOTT IN NEW DELHI

PEROCHEMICAL engineers and contractors from the US, Europe and Asia are to share orders worth about \$30m over the next four years for construction of India's second lrgest petrochemical complex at Haldia in the north eastern state of West Bengal.

Linde of West Germany and Chemtex of the US will together be taking a 12.5 per cent equity *stake in the Rs* 14.7bn (\$1.14bn) project.

Other companies, including Technimont of Italy, Phillips Petroleum and Lummus of the US, will be involved in equipping the naphtha-based plant. It is being promoted by Mr R. P. Goenka, a leading member of one of India's five largest industrial familites, in partnership with the Communist-run West Bengal State government.

After long delays, the project is soon expected to be given final clearance by the Indian Government. On Wednesday the financing arrangements were approved in Bombay by *the board of the Industrial* Development Bank of India, the main government-owned financial institution involved.

This indicates that the *government* wants *final clear*ances soon from a joint meeting of financial institutions followed by final approval from a meeting of top government secretaries *in New Delhi.*

The plant will be the first large-scale petrochemical complex to be developed in India outside conventional public sector corporations — it is an example of the new joint public-private sector which is being used by state governments to encourage industrial development.

The Haldia cracker and associated complex is expected to help rebuild the industrial fortunes of West Bengal and its state capital of Calcutta, which have only recently started to revive after years of decline.

The main cracker will have a production target of 125,000 tonnes a year using Linde naptha technology. Technimont of Italy is co-ordinating technology from Himont of the US and Mitsui of Japan for 63,000 tonnes a year of polypropelene. Phillips Petroleum is providing technology for 80,000 tonnes of high density polyethylene.

Britis hmerchant banks, including Kleinwort Benson and Lazards, have been offering financial packages *for* the \$227m *of foreign* exchange, which will include export credits and other forms of funding.

Equity will total Rs 3.27bn, *12.5 per cent of which will be* subscribed by Linde and Chemtex, 12.5 per cent by Goenka family interests and 26 per cent by the West Bengal State Government. *The rest will be* raised from the general public.

Worldwide EDS-Spanish venture

By David White in Madrid

EDS of the US yesterday signed a co-operation agreement with Spain's semi-state telecommunications group Telefonica, which includes a *joint venture to export* Spanish technology data transmisison systems.

Mr Enrique Maso, president of the new Los Angeles-based joint venture, said he expected it to take as much as 40 per cent of the world market for packet-switching systems.

The aim of the joint venture is essentially to market Telefonica's Tesys system, which has been sold to Canada and Argentina. But Mr Gary Fernandes, president of EDS International, expressed hopes for "extending well beyond that in the future."

EDS will hold 51 per cent of the venture, provisionally named Telecommunications Data Services, which will design and distribute transmisison networks. Mr Fernandes said it would be active in the European, Asian and *North American markets.*

The world market for packet-switching networks is estimated at \$480m a year and is expected to rise to \$1.9bn a year in five years' time. The joint venture's initial sales are put at \$150m a year.

Taiwan loans for US imports

TAIWAN, eager to head off protectionist pressure from Washington, is for the first time offering loans to US banks finance imports of US products, Reuter reports from Taipei.

The loans will be provided by the state-run Export-Import Bank of the Republic of China to about 40 US banks, including Bankamerica, Citicorp, The Bank of California and Chemical Bank, according to Mr Kung Kuang-wei, vice president of the Export-Import Bank. "We hope the loans will help boost imports of American goods and reduce Taiwan's trade surplus with Washington," he said.

Mr Kung said the loans to *each US bank would be from* \$1m-\$5m with maturities ranging from two to five years at interest rates from 5.5 per cent to 6.25 per cent.

He said American banks could use the re-lending facilities to help US exporters promote sales of machinery, precision instruments and industrial raw materials to Taiwan.

They could add a spread of about 1.5 per cent interest when they re-lend to Taiwanese im*porters, he added.*

Taiwan's trade surplus with the US rose to a record \$10.93bn *in the first eight months of* 1987

The surplus is expected to hit an all-time high of \$16bn by the end of 1987, compared with \$13.6bn last year, trade officials said.

Skoda to market new hatchback next year

BY JOHN GRIFFITHS

CZECHOSLOVAKIA'S long-delayed first contender in the mainstream market for front-wheel-drive hatchback cars was unveiled at Brno's Engineering Trade Fair yesterday.

The so-far unnamed 1.3 litre car, styled by Bertone of Italy and part-engineered by Porsche, is scheduled to go into production next year.

The first year's intended output of 70,000 units is earmarked for the Czech domestic market. Exports to left-hand-drive markets are *planned to* begin in 1989, and to right-hand-drive markets like the UK in the first half of 1990.

By the early 1990s, Skoda hopes to be producing a range of cars at the rate of 400,000 units a year, including saloon, estate, van and coupe variants *of the new hatchback.*

The delays which have affected the new car mean that Skoda's existing rear-engine Estelle models will continue to be produced alongside the hatchback next year. The car shown at Brno is only a prototype, with no final decision yet made on whether an Isuzu or Nissan-based engine will power it. Both Japanese producers are seeking licences to produce power units for it.

So far, Skoda has spent over \$100m on importing production equipment from the West for the new model. Among UK companies involved in the project are John Brown Automation and Cross Knowsley, who between them have been awarded contracts worth £8.3m for assembly line and machining work.

Embraer's largest sale

BY ANN CHARTERS IN SAN PAULO

EMBRAER, Brazil's state-controlled aircraft manufacturer, has sold 50 Brasilias commuter aircraft to Texas Air for \$283.6m. Finance for the contract, Embraer's largest so far in value terms, has been arranged through a pool of international banks, co-ordinated by Manufacturers Hanover.

The financing is being structured as a 15 per cent supplier credit, 75 per cent buyer credit, and 10 per cent as the down payment, with Embraer borrowing abroad for its portion.

Texas Air will take delivery of the 30-seater aircraft up until *1990.*

Embraer is currently negotiating with West Air, another US airline, for the sale of 20 more Brasilias. The airline currently operates thre of these commuter aircraft

UK NEWS

Voluntary housing bodies to be given central role

BY PETER RIDDELL AND ANTHONY MORETON

VOLUNTARY HOUSING associations will be given a central role in the provision of subsidised homes and flats for rent under plans to be outlined in a government white paper (policy document) later this month.

This will involve sweeping changes in government support for the associations to produce a more flexible system of grants so as to allow larger-scale raising of finance from the private sector.

Mr William Waldegrave, the Housing Minister, yesterday confirmed that a housing white paper would appear shortly. This will be the prelude to a bill due at the beginning of December.

Aleady approved in principle by ministers, the white paper will cover the relaxation of present rent controls on new lettings, provision for local authority tenants to transfer to different landlords and the formation of government-backed Housing Action Trusts to take over local estates.

There is, however, a continuing argument between the Treasury and the Department of the Environment about the level of subsidy, in particular the fixing of housing benefit to take account of the higher level of private rents on new lettings after deregulation.


William Waldegrave: plans sweeping changes

There is likely to be a maximum cut-off point and the Treasury is seeking to minimise the extent of change.

Agreement has already been reached, though, on expanding the role of housing associations which ministers hope will become large-scale providers of rented housing, taking over from local authorities.

The new approach was foreshadowed yesterday by Mr Ian Grist, parliamentary under-secretary at the Welsh Office.

In a speech to the Welsh Housing Associations in Llandudno, north Wales, he said the present 30 per cent ceiling on government grants (as a percentage of the capital cost of new schemes) would be abolished because it was too low to allow building at affordable rents.

Mr Grist said that instead the Housing Corporation, which finances housing associations, would operate with an average grant of no more than 50 per cent.

This flexibility is meant to encourage the associations to raise private-sector finance with official grant backing, given that they will also have scope to charge somewhat higher rents than now.

Ministers believe that the opportunity to go higher than the present 30 per cent ceiling will remove the present barrier to private sector funding.

A detailed consultative paper on financial arrangements for housing associations will be published next week

Legislative programme, Page 9
Editorial comment, Page 20

Britain and France aim to co-operate on arms purchasing

BY LYNTON McLAIN

BRITAIN and France are to attempt to extend co-operation on the procurement of defence equipment for their armed forces.

A two-day conference on the possibilities of increased co-operation is to be held at Lancaster House, London, next week. It will be attended by French and British defence equipment companies and service and procurement personnel from each country. Lord Trefgarne, the minister of state for defence procurement, will open the conference on Thursday, September 17. There will be a dinner at Hampton Court in the evening, hosted by Mr George Younger, the Defence Secretary.

The aim is for Britain and France to set out the defence equipment each country wants over the next three to five years. These requirements will be in terms of broad specifications, setting out what the armed forces want equipment to do, rather than specifying individual products by name.

The delegates at the conference are to explore the scope for "reciprocal purchases of equipment developed or produced in one country which could meet the needs of the other," the Ministry of Defence said yesterday.

This is distinct from programmes of collaborative procurement, such as the Anglo-French Jaguar fighter aircraft programme, where the former British Aircraft Corporation and Breguet Aviation of France collaborated on the design and production of the aircraft, through a joint company, Sepecat, formed in 1966. The aircraft are powered by the Anglo-French Rolls-Royce Turbomeca Adour engine.

Westland of Britain and Aérospatiale of France collaborated on the production of helicopters.

The idea of reciprocal purchasing stems from an initiative between Mr Peter Levene, the chief of defence procurement at the MoD, and Mr Jacques Chevallier, his French counterpart. They agreed earlier this year to explore increased co-operation in defence procurement between the two countries, to avoid duplication. French requirements are similar to Britain's at a time when the defence budgets of the two countries are under pressure.

Last year, the MoD placed a contract for remote-controlled mine disposal systems for the Royal Navy with the French company, Société ECA in partnership with Honeywell Leafield of the UK. At the same time, the French Ministry of Defence confirmed the purchase of Racal-Decca navigation radars for the French navy.

These orders were not linked formally, the MoD said at the time. They reflected the readiness of each country to purchase products from the other when they offer the most cost effective solution to defence requirements. The contracts followed a meeting between Mr André Giraud, the French Defence Minister, and Mr Younger when they agreed on the importance of further co-operation in defence procurement.

The MoD accepts that, even with a successful outcome to the conference, there will be areas where the two countries will compete with each other. The same companies that find themselves on each side of reciprocal purchase of some equipment could compete with each other for other equipment orders.

Next week's conference is to concentrate on equipment for the British and French armies. Other conferences are planned for next year on the equipment needs of the British and French air and naval forces. The next conference is likely to be in France.

The Ministry of Defence has invited 50 British and 50 French major suppliers of army equipment to send a single representative to the conference next week. There will be 50 representatives from each of the British and French armies.

Mr Levene's defence procurement department has prepared a booklet for the French to explain in detail British defence procurement policy, to help French companies gain access to the British market. No such help is expected from the French which could have eased the access of British defence companies to the French market, but the MoD says it is likely that the French need for "reciprocal purchases" will be greater than Britain's need.

The projects to be discussed at the conference are expected to be "medium sized," below about £25m in value. The majority of UK-based defence equipment contractors fall in this category.

Leading British consulting engineers merge operations

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

TWO of Britain's leading consulting engineers, Freeman Fox and John Taylor, are merging their worldwide operations in a move aimed at counteracting increasing international competition.

The deal will create a group with 1,000 staff in offices all over the world and a current workload of projects worth more than £10bn on all six continents. It will also give the joint business a similar scale to that enjoyed by many of its leading international competitors, apart from some of the larger American consultancies.

"By merging we are creating an organisation with enormous technical resources and wide experience, which will enable us to compete effectively for many important international projects which neither company could have secured on its own," said Mr Gwilym Roberts, joint chairman of the group, and currently senior partner at John Taylor, last night.

The new group, which will have annual revenues of about £30m and profits of a little under £1m, is aiming to gain competitive advantage partly by increasing the spread of its activities.

Freeman Fox has made its international reputation as a bridge designer, with a tradition stretching back to the Sydney Harbour Bridge and including the more recent Humber Bridge, the largest single span in the world. It is also responsible for the ambitious cross-harbour tunnel in Hong Kong, and the mass transit railway in the same city.

John Taylor's expertise is in water-related projects. In the last few years it has won a large number of contracts in the Middle East in water supply, desalination and sewerage treatment projects, including a waste water programme in Cairo which is claimed to be the biggest of its kind in the world.

Mr Peter Banks, John Taylor's managing director and designated group managing director of the combined concern, said yesterday that the two concerns would also have an improved geographical coverage of the market.

"We have large projects in the Middle East and Freeman Fox in Hong Kong, and we are both active elsewhere. That gives you the intelligence you need to indentify projects," he said.

Mr Banks added that new company would also be seeking to achieve economies by the more effective of specialists which both companies were now being forced to provide. Clients, he said, were expecting far more from services from consulting engineering companies, which had added to the overhead load they had to carry.

Sales growth disappoints retailers

By Ralph Atkins

RETAIL sales growth slowed in August, frustrating retailers' expectations after a better-than-forecast increase in July.

The latest Confederation of British Industry/Financial Times quarterly survey of distributive trades shows that 58 per cent of retailers questioned reported an increase in sales in August compared with the same month last year but 19 per cent reported a decline.

The balance reporting a rise was the lowest since March and was considerably less than predicted by retailers in last month's survey when official figures showed retail sales rising sharply to a record level.

Yesterday Mr Nigel Whittaker, chairman of the survey panel, described the August survey results as "disappointing" although he said better growth was anticipated in September.

However, he said: "These expectations must be seen against a background of rather optimistic hopes thoughout the year, which have mostly been unfulfilled."

Laying down law to insurance salesmen

BY NICK BUNKER

THE WORKING lives of some of Britain's most unpopular people – the life assurance salesmen – may never be the same again following publication of a new code of conduct.

Drawn up by the Life Assurance and Unit Trust Regulatory Organisation (Lautro) it would effectively outlaw many of the foot-in-the-door tactics which the public has come to associate with the selling of life assurance or double-glazing.

The code is a central element in a draft rule book which Lautro published yesterday in connection with its attempt to become one of the new self-regulatory organisations (SROs) for Britain's financial services industry.

It bans life assurance salesmen, for instance, from contacting unsuspecting members of the public at "unsocial hours," whether over the telephone or on the door-step.

Sticking the foot in the door is also forbidden since the code says the salesman "shall recognise and respect, promptly and courteously, the right of the investor to terminate the call at any time."

Nor will life assurance salesmen be permitted to use unlisted telephone numbers, or rubbish the products of companies other than their own. The salesman "shall not make any statement which he knows or ought reasonably to know to be untrue, or partly untrue or exaggerated," the code says.

Even the salesman's business card – which he will have to give to every potential customer – will have to conform to new standards.

The rule-book also contains bad news for those insurance brokers who are accustomed to being invited by life companies to "sales conferences" held in the Seychelles or on board cruise liners.

The code of conduct says the entertainment offered to brokers must not exceed "what is normal or reasonable" and that gifts must not be greater than £25 in any one year.

Lautro's rule-book will now be scrutinised by the Securities and Investments Board, the industry's central watchdog, and by the Office of Fair Trading. The SIB said last night that it hoped that following completion of this process Lautro and the other aspiring SROs would be officially approved by early December.

Details, Page 10

Government split over future of fourth national TV channel

BY RAYMOND SNODDY

THE GOVERNMENT is divided over the future of Channel 4 and whether Britain's fourth national television channel should be turned into a non-profitable trust, be freed to sell its own advertising time or be fully privatised.

A proposal from Mr Douglas Hurd, the Home Secretary, that the channel be set up as a separate authority and become a non-profit-making trust has been rejected by Mrs Margaret Thatcher, the Prime Minister, as not radical enough.

The Prime Minister, who is chairing a cabinet sub-committee on the future of British broadcasting preparing for a comprehensive broadcasting bill to be introduced in the next session of parliament, has asked the Home Office to think again.

Channel 4, which began broadcasting nearly five years ago, is at the moment a wholly owned subsidiary of the Independent Broadcasting Authority. It is funded by the 15 ITV companies who pay 17 per cent of their net advertising in the form of an annual subscription to pay for Channel 4 and the Welsh Fourth Channel. In return the ITV companies sell the channel's airtime.

Mrs Thatcher, it is believed, has noticed that the channel is now producing a surplus for the ITV companies. Mr Jeremy Isaacs, the outgoing chief executive, said recently in public that the ITV companies were now taking £20m a year more in Channel 4 advertising time than they pay out in subscription. In the year to March 1987, Mr Isaacs said, the ITV companies had sold advertising worth £152.2m for the channel compared with the £139.9m paid in subscription to fund Channel 4.

There are growing signs that a compromise solution will be found under which Channel 4 will remain a subsidiary of the IBA, that there will be complementary scheduling with ITV to protect Channel 4's programming remit but that it will be financed by selling its own advertising time.

The future of Channel 4 is one of a package of issues being considered by the Government designed to increase the competitive pressures on commercial television in Britain. The ITV companies and TV-am, the breakfast television company, have at the moment a television advertising monopoly which brings in more than £1.2bn in advertising revenue a year.

Peter Riddell previews an unusually busy parliamentary session

Full steam ahead for Thatcher Government

THE CABINET yesterday held its first full meeting for six weeks, symbolising the end of the summer holidays in Whitehall.

While Mrs Margaret Thatcher has, characterisitcally, been back at work for some time, ministers and senior officials have generally only returned to their desks this week, to face one of their busiest autumns for many years.

Not only is there the usual autumn public spending review, but final decisions are being taken on the bills which formed the centrepiece of the Queen's Speech on June 25.

The key bills for this session, with final dates still to be agreed with the Government's business managers, are:

- Education. Bill due in November. Decisions already taken on proposals for a national core curriculum, provision for schools to opt out of local authority control and delegation of budgetary control, but there will be consultation until the end of this month.
- Housing. White paper to be published in about a fortnight on proposals for the relaxation of rent controls and the right to transfer of local authority tenants to other landlords. This will be followed by a bill, probably in early December, though there is still argument with the Treasury over the level of housing benefits for those renting.
- Rates reform. Bill likely in November, earlier than previously expected, with the aim of a second Commons reading and start of the committee stage before Christmas. Key decisions on the spreading of the transitional phase were taken at the end of July and environment ministers are on a nationwide tour to explain and justify the community charge.
- Immigration. Bill expected in November or December to tighten controls on settlement and visitors.
- Licensing hours. Bill due in late October or November to relax pub opening hours.
- Industry. Measure due in about November, after several years' consultation, to introduce a levy on blank audio tapes, with extensive reform of the law of copyright and intellectual property rights.
- Union members' rights. Bill due in late October to extend the use of ballots and the protection of individual workers.

Some measures have already been published, notably the criminal justice and local government bills, which were lost at the general election. Home Office ministers have said they are reconsidering proposals on sentencing and crime prevention, and amendments will be put forward when the bill (currently in the Lords) comes to the Commons early next year.

The measure to prepare the way for electricity and water privatisation (the Public Utilities Transfer and Water Charges Bill) will have its second reading on October 21, the day when the Commons returns from its summer recess.

The maximum political pressure to make amendments on key bills will come in February and March during Commons committee stages and in the May-to-July period in the Lords.

This autumn, ministers will also be seeking to reach preliminary decisions on the structure both of the electricity industry after privatisation and of broadcasting, for measures in the 1988-89 session.

On the familiar seasonal timetable, this week has also seen the start of intensive bilateral discussions between Mr John Major, Chief Secretary to the Treasury, and spending ministers over future plans, following detailed discussions between officials.

The "Star Chamber" arbitration committee is again likely to be called into play in early to mid-October with Lord Whitelaw, the leader of the Lords, being the usual reluctant chairman.

Possible members are Mr John Wakeham, Leader of the Commons; Lord Young, Trade and Industry Secretary; and provided their budgets are settled quickly, Mr John MacGregor, Minister of Agriculture and former Chief Secretary; and Mr Cecil Parkinson, Energy Secretary.

On the economic front, this autumn will also see far-reaching discussions on possible full British participation in the European Monetary System and reforms to the personal tax system to be included in next spring's budget.

In both cases, the key decisions will depend on the relationship between the Prime Minister and Mr Nigel Lawson, the Chancellor. The latter is said to have returned from his holidays full of ideas.

Norman Tebbit: former "Star Chamber" member

Lord Young: may join arbitration commitee

John Major: intensive discussions on spending

Attack on housing policy misfires

BY ANDREW TAYLOR

AN ATTACK on government policy by five leading housing organisations misfired yesterday after the Government confirmed that it would after all publish a white paper ahead of its proposed Housing Bill.

The Association of Metropolitan Authorities, Shelter, the Housing Centre Trust, the Institution of Environmental Health Officers and CHAR, the campaign for single homeless, yesterday published their version of a white paper in the belief that the Government would not issue one.

However, the publication was pre-empted by Mr William Waldegrave, Housing Minister, who announced that a government white paper would be published shortly.

Despite being caught off-balance, the organisations strongly attacked the Government for failing to consult housing groups over its plans to radically reform housing legislation.

Mrs Sheila McKechnie, Shelter director, said proposals to end Rent Act protection for new private lettings and changes in methods of funding housing associations would lead to dramatic rent increases.

She said housing associations in London and the south-east, faced with escalating land prices and a reduction in grants, would end up renting to "yuppies" rather than trying to satisfy the housing needs of low income families.

Mrs McKechnie claimed that housing association rent levels, averaging £25 a week for a one-bedroomed flat in Ealing, west London, would rise to £50.

Mr Maurice Barnes, vice-chairman of the Association of Metropolitan Authorities housing committee, said government policy statements did not explain how to reduce the large numbers of homeless staying in bed-and-breakfast accommodation at the expense of local authorities.

He said the Government had produced no evidence to show how its policies would help to reduce the huge backlog of repair and maintenance needed to restore public and private homes to an acceptable standard.

Not a White Paper. The Housing Centre Trust, 33, Alfred Place, London WC1E 7JU. £2.

Honda denies it is seeking stake in Rover

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

HONDA OF Japan has no intention of asking the UK Government if it can buy a shareholding in the state-owned Rover Group when the British company is privatised, Mr Satoshi Okubo, chairman of Honda Motor, said yesterday.

He also insisted that Honda hrad no wish to buy Rover's car assembly plant at Cowley, near Oxford, where the UK group produces the two companies' joint venture cars, as has been frequently rumoured.

Nor does Honda have plans to build a car assembly plant at Swindon, Wiltshire, where it has a technical inspection centre and intends to build an engine factory.

Mr Okubo, speaking during the run-up to the Frankfurt motor show, said there had been no approach by Rover management to suggest that Honda should take some of the UK group's equity.

His company, in any case, before even considering such a move, would want to see a successful outcome to the latest joint venture with Rover for the development and production of a medium-sized car to replace the Civic and Ballade for Honda and the Maestro and Rover 200 sceries for Rover.

Mr Okubo revealed that Honda wants Rover to produce a model, which Honda has code-named YY and Rover calls AR8, at the rate of 30,000 a year when it goes into production at Longbridge, Birmingham, in 1989.

This compares with the 5,000 Ballades and 3,000 Legends that Rover will produce for the Japanese company this year.

Mr Okubo said that Honda's plans for an engine plant at Swindon were on schedule and construction would start soon. The plant would have an annual capacity of 70,000 engines.

BMW and Jaguar increase car prices

BY JOHN GRIFFITHS

BMW AND Jaguar are both substantially increasing their UK new car prices.

The increase, now in effect on the West German cars, is the third this year and averages 4.6 per cent but reaches 10.89 per cent on the high-volume 316 and 318i models. The 318i, however, has been fitted with a more powerful engine and shares other specification changes to the 3-series range.

BMW yesterday also blamed the strength of the D-Mark for *the increase. It brings to 9.8 per* cent the average rise imposed since January.

For the whole of last year, BMW increased its prices by an average of 16 per cent, under pressure from the rising D-Mark.

The increases had little apparent effect on BMW's UK sales which rose to 35,898 compared with 33,450 the previous year. In the first eight months of this year sales have reached 28,521, making it likely that BMW (GB) managing director Mr Paul Layzell's forecast of 36,000 sales this year will be exceeded.

*Jaguar, which last month an*nounced reduced half-year profits of £45.7m (£67.4m), is raising its prices by an average of 7 per cent from tomorrow. *However, increases on some ver*sions of its XJS coupe models — also recently revised — range up to 9.3 per cent.

Jaguar previously increased *its prices in April by an aver*age of 4 per cent.

DTI optimistic over car output increase

BY JOHN GRIFFITHS

VEHICLE PRODUCTION statistics from the Department of Trade and Industry yesterday lent support to the contention by Mr Sam Toy, former chairman of Ford UK, at the Frankfurt motor show that the British car industry was "on the road back."

The DTI's provisional estimates showed that car production in August, seasonally adjusted, was 105,000 units. This compares with 84,000 units in the same month a year ago and continued "the encouraging trend apparent this year."

Taking the latest six months as a whole, output was 10 per cent above the previous six-month period and 17 per cent higher when compared with the same six months of last year.

Production in the first eight months of the year averaged 95,000 units a month — the highest for such a period in nine years.

Commercial vehicle output, at a reasonally adjusted 19,400 units, improved on the disappointing June level of 18,400. However, taking the latest six-month period as a whole, output was 2 per cent below the preceding six months and unchanged compared with the corresponding period of 1986.

BBC creates central policy and planning unit

BY RAYMOND SNODDY

THE BBC yesterday announced the creation of a central policy and planning unit to be headed by Ms Patricia Hodgson, who has been secretary of the corporation since 1985.

Mr Michael Checkland, the BBC director-general, said the appointment completed the restructuring of senior BBC management.

The new unit would bring together audience, market and economic research, would advise on matters of taste and decency and would "underpin the co-ordination of editorial policy and practice across the corporation."

Miss Margaret Douglas, chief assistant to the director-general since 1983, will become chief political adviser.

The post of secretary of the BBC will be advertised.

Redland in £50m deal to make plasterboard

BY ANDREW TAYLOR

BPB INDUSTRIES' virtual monopoly on the supply of plasterboard in the UK is set to be broken by Redland, the Surrey-based building materials group and CSR, an Australian building materials, sugar and resources group.

Redland and CSR yesterday announced they had agreed to form a joint venture to supply the world plasterboard market.

As a first step, the joint venture, Redland Plasterboard, plans to spend about £50m to £60m during the next three years on two British plasterboard producing plants.

Redland will own 51 per cent of the new company and CSR wil lown the remaining 49 per cent.

Sir Colin Corness, Redland's chairman said that over the next three to four years Redland Plasterboard would expect to invest £100m in the UK and on the Continent.

BPB Industries currently supplies about 96 per cent of British plasterboard. It is also an important supplier in France and West Germany.

The company's share price fell by 39p to 354p on news of the joint venture. Redland's share price slipped by 19p to 500p.

Plasterboard, a light and durable material which is easy to work and has good noise and heat insulation properties, has been becoming increasingly important in the British building materials market.

It is widely used for partition walls in homes and is increasingly being used in commercial developments.

Sales of plasterboard in Britain have risen by about 50 per cent since 1980. Sales of plasterboard products currently stand at between £200m and £250m, according to Redland.

Negotiations with CSR began after the Australian group earlier this year made an abortive bid for Redland's majority stake in Monier, Redland's Australian building material associate.

CSR currently accounts for just over half the Australian plasterboard market, which is roughly two-thirds the size of the British market.

CSR said yesterday: "Given the difference in the size in populations, plasterboard has a much greater share of the building materials market in Australia than in Britain. There is a great deal of potential for further growth of plasterboard in the UK and on the Continent, where plasterboard is used even less."

BPB Industries said last night that it was not surprised by Redland's announcement. It had known for some time that Redland had been looking for a partner

Companies reminded of rules for takeovers

By Clay Harris

THE TAKEOVER Panel yesterday reminded companies that, even if they were only considering whether to launch bids, they were obliged to make explanatory announcements if their names emerged in market rumours.

The panel said its move, which does not involve any change in the wording of the Takeover Code, was intended to avoid the creation of false markets, especially now that a greater number of private individuals owned shares.

The statement is the panel's lastest effort to assert its role at the centre of the City's self-regulatory structure. This structure has met widespread criticism and some calls for a completely statutory system in the wake of the Guiness bid for Distillers and insider trading cases.

The panel once again emphasised that companies in any doubt about their position under the code should consult the panel directly and not rely on the word of their advisers.

Nevertheless, the panel made several general points for guidance:

- When a company's name was mentioned in rumours as a possible bidder, "it should normally be presumed that there has been inadequate security on its part."
- Announcement of a bid should not be delayed simply because financing plans had not been completed.
- Tactical considerations should not influence the decision whether an announcement is necessary.
- Although a change of 10 per cent or more in a potential target company's share price—unexplained by the general market or publicly known facts—was considered "untoward" under the code, the absence of such price movement did not justify a would-be bidder's failure to make an announcement if other factors were in place.
- If a company was revealed as having bought shares in another and made no statement about its intentions, the market was "entitled to infer" that it did not plan to make a full bid.

The head of corporate finance at one merchant bank said yesterday that the statement would bear further study, but he envisaged potential problems in arranging underwriting if companies were forced to make premature announcements.

Mr John Walker-Howarth, the panel's director general, said yesterday that no recent case had prompted the statement.

A report prepared for broadcast last night on Thames Television's The City Programme suggests that insider trading my still be rife in the City in spite of the additional publicity given to enforcement in the past year.

After a study of 96 companies facing bids or mergers since November 1986, it said the share prices of 70 had increased in the preceding weeks by four times the average rise in the FT ALL Share index over the same periods.

David Lascelles on Sir John Cuckney's appointment to a development capital business

Captain of industry takes the helm at 3i

FEW PEOPLE qualify more readily for the title of captain of industry than Sir John Cuckney. Although millions of people came to know his tall figure and craggy features during last year's stormy Westland affair, his career has encompassed the City and the chairmanship of organisations almost too numerous to mention: the Crown Agents, the Port of London Authority, Thomas Cook, Brooke Bond, John Brown and Royal Insurance.

Now he has added to that the chairmanship of 3i, the UK's largest development capital business which is owned jointly by the large clearing banks and the Bank of England. He was suggested for the job by Mr Robin Leigh-Pemberton, Governor of the Bank.

His appointment comes at a time when 3i's business is booming with the growth of the UK's enterprise culture and a record number of new company start-ups. But 3i itself may be about to undergo big changes including possible partial flotation on the stock market.

He says that he had always thought of 3i as "a valuable, constructive and rather unique financial institution." But he had never appreciated, even when he became a non-executive director of the Midland Bank, what an asset it was for its owners. Under its chief executive, Mr Jon Foulds, it has achieved a compound growth of 23 per cent a year in net assets per share over the past five years without once calling on its shareholders for new capital.

"It is refreshing to come to an organisation that is doing well and is immensely busy," said Sir John yesterday in his office atop the 3i building in Waterloo, London, where he commands a fine view of the Thames and Westminster. "We could hardly have wished for a better climate in which to operate, with a Conservative administration and the enterprise economy it is trying to foster."

His aim, he says, is to preserve 3i's essential character as a provider of long-term finance, drawing on the group's deep well of professional expertise and knowledge of industry. "It is the living counter to allegations of sort termism," he said, referring to complaints that investors tend to show little loyalty to their companies. "The banks have demonstrated through 3i that they are able to take the long-term view of industry and its requirements."

3i provides finance for periods of five years to however long is needed in the form of either debt or equity capital. The sums involved range from £50,000 to £40m. Although two-thirds of its deals are for less than £150,000, Sir John believes that 3i could play a still bigger role in helping small companies. The group's recent TV advertising campaign—its first—is part of a new drive for such business and 3i is able to draw strong presence in the regions.

Sir John Cuckney: sees 3i as "a rather unique institution"

Sir John also expects the group to become more active overseas, where it has offices in the US, France, Germany, Ireland and Australia. "We are dealing with companies which face global marketing problems."

In commercial terms 3i occupies a slightly ambiguous position between hard-nosed realism and a sense of public duty bred of its origins in the post-war reconstruction days. The fact that it is part-owned by the Bank of England also gives it a strong institutional character.

Sir John agrees that there is "a slight public service ethos" but he insists that the group is apolitical and applies that ethos in strictly commercial terms. It is not a provided of "soft money."

The sheltering hand of the clearing banks is another strong feature of the group. This adds to its establishment air and puts it in the curious position of competing with the banks' own fast-growing development capital subsidiaries (though Sir John insists they also collaborate). On the other hand, the absence of public shareholder pressure to keep raising the dividend enables 3i to take the longer-term view on which it prides itself.

The banks, however, would like to be able to value their shareholding more fully in their accounts, and talks have been going on for some years now about a possible flotation. But to protect 3i's character, Mr Foulds's management have insisted that a prior condition be the transformation of the group into an investment trust. This status would prevent it from distributing capital profits; in other words, it would not be vulnerable to pressure to cash in its chips in order to pay a higher dividend.

Talks with the Inland Revenue are proceeding and if they succeed may produce a result in a couple of months.

Whatever happens, though, Sir John does not expect the banks or the Bank of Enland to sell out completely; they would only end up owning a smaller part of the business with the rest in the open market. "It is extremely important," says Sir John, "that the Bank of England should remain a shareholder."

Midland arm co-ordinates US film company buy-out

BY DAVID WALLER

MIDLAND MONTAGU Ventures—the venture capital arm of Midland Bank—has co-ordinated the management buy-out of the New York-based film company which produces the best-selling Jane Fonda Workout videos, in what it claims to be one of the first US buy-outs led from the UK.

RVP Productions — to be known in future as Lightyear Entertainments — was bought from its former parent Bertelsmann, the German publishing group, for an undisclosed sum. MMV paid \$4.5m (£2.7m) for a 45 per cent stake but said this amount gave no indication of the total size of the transaction.

Turnover has not been revealed but MMV said RVP would have made pre-tax profits of between \$2.5m and \$3m in its last financial year if it had then been an independent company.

RVP, formerly a subsidiary of RCA, the US entertainment company, was sold to Bertelsmann when RCA was acquired by General Electric last year.

US backers of the buy-out included Citibank and Chase Manhattan Bank. This is MMV's first investment in the US.

BA passengers rise 13%

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS' traffic continued at high levels during August, with the total number of passengers rising by nearly 13 per cent, compared with a year ago, to over 1.85m.

The airline's latest statistics show that this growth was evenly spread across UK and European traffic, together up 13.2 per cent to 1.33m, and long-haul intercontinental traffic, up 11.9 per cent to 519,000.

Cargo also improved substantially, with total cargo tonne-kilometres flown gaining 15.9 per cent to 138m.

For the five months of the financial year to the end of August, BA's total passenger traffic rose by 16.4 per cent to over 8.62m, compared with the same period of last year. UK-European traffic was up by 15 per cent and intercontinental traffic up 20.7 per cent.

If British Airtours, the charter subsidiary, is also included, the total airline operation involved over 10.5m passengers in the first five months, a rise of 17.2 per cent over the same period last year.

Some Scots Tories say 'Thatcher a liability'

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

MRS THATCHER is seen by some Scottish Tories as an electoral liability and her visits to Scotland may be counter-productive, according to an internal Scottish Conservative Party document.

The leaked document says that Mrs Thatcher was "characterised by some as a liability in Scotland, mostly, one gathers, because of her Englishness and perceived 'uncaring' attitude."

It adds: "It seems that the more she strives to be acceptable in Scotland, to be interested in Scotland, the more she is seen as condescending and patronising. This also tends to apply to other "English" ministers.

"One hesitates to suggest they should spend more time in Scotland or contemplating Scottish matters, as this could be counter-productive — a conundrum indeed."

The document, which was never intended for publication, is based on responses from voluntary party workers to questionnaires sent by the Scottish Conservative and Unionist Association, the voluntary wing of the party.

It followed the Tories' loss of 11 of their 21 Scottish seats in last June's general election.

Mr John MacKay, recently appointed chief executive of the Scottish Conservative Party, yesterday stressed that the report was a discussion document based in the views of people who, in many cases, were not going to vote Conservative. It is to be discussed by the executive of the Conservative Association on Sunday.

Deep embarrassment has been caused by the fact that the paper emerged less than a week after Mrs Thatcher made a visit to Scotland, which many Conservatives regarded as more successful than past visits.

The Prime Minister reiterated her opposition to the idea of a Scottish assembly, but the leaked document suggests that Mrs Thatcher and non-Scottish ministers "should not take decided positions" on issues such as devolution.

"They should make it plain they are prepared to listen," the report says. It argues that the Conservative Party, being the only party opposed to devolution, adds to the impression that it is "English and anti-Scottish."

The report says that the community charge lost the party votes in Scotland, though not necessarily because it was wrong. Since it was approved by parliament shortly before the election it was not possible to explain it adequately in the time available.

Canon puts new copier on market

By Terry Dodsworth, Industrial Editor

A COLOUR copying machine at half the price of many systems was launched in the UK yesterday by Canon, the Japanese camera and office equipment group.

Canon said it aimed to open up a broader market for colour reproduction. Until now colour copiers have been sold largely to specialised companies willing to pay up to £40,000.

The Canon machine, priced at £17,000 in the UK, is much smaller than the preceding generation of colour copiers, with dimensions roughly in line with conventional black-and-white machines.

Canon said the copier could also be used without the need for specialist maintenance staff — one of the drawbacks of the original colour copiers — and that a high quality of reproduction had been achieved through the use of lasers.

The company hopes that markets for the machine, called the Colour Laser Copier, will include the large multinationals, banks, design studios, advertising agencies and architects.

Canon said research indicated a strong pent-up demand for colour copiers. The machine was introduced in Japan seven months ago and sales have risen to 1,200 units, well above the company's expectations.

"Market research in both Britain and America has confirmed that full colour copying is seen by many facilities managers as one of the key areas of copier development in the near future," it added.

Liberals' commitment to incomes policy questioned

BY JOHN HUNT,

THE POSSIBILITY of a merged Liberal and Social Democratic Party abandoning its commitment to an anti-inflationary incomes policy is raised in a report by Mr Alan Beith, deputy leader of the Liberal Party and chairman of the party's policy committee.

The move would be a significant departure from Liberal policies of recent years. If it was adopted it would mean the dropping of the commitment in the SDP-Liberal Alliance general election manifesto for reserve powers to introduce a counter-inflation tax.

The proposal reflects Mr Beith's own view but arises out of discussions that have taken place in the policy committee. Some at Westminster were interpreting it as a move by Mr Beith to strengthen his position for any future leadership contest in the merged party.

The report is put forward as a contribution to the merger debate at next week's Liberal Party assembly at Harrogate. It will be available to delegates and thus gives Mr Beith an opportunity to put across his own political philosophy to them.

Mr Beith says that in the last election the Alliance was able to put forward coherent plans to stimulate the economy which were carefully costed. But it was not possible to predict whether such a stimulus would be possible or prudent in a few years' time.

Therefore it was not possible to say "whether anti-inflationary incomes policy machinery will be needed to allow such a strategy to be pursued." If an incomes policy could not unlock the door to beneficial measures there would be no point in embarking upon it.

"We need to ensure that we have a viable mechanism to advocate," he said. "But it would be quite wrong to commit ourselves now to an incomes policy in the 1990s in order to sustain an economic strategy which may by then be inappropriate."

Apparently this view would find favour with the pro-merger faction of Social Democrats under the new SDP leader, Mr Robert Maclennan.

He also said that there would have to be much new thinking on the party's defence policy which, in the election, committed it to maintain and modernise a minimum nuclear deterrent until it can be negotiated away.

The anti-merger Social Democrats, under Dr David Owen, the SDP leader, suffered another setback yesterday when pro-merger candidates won control of the SDP Candidates Association. The new chairman of the association, Dr Lindsay Granshaw, said it was an overwhelming endorsement of the move towards merger.

Lautro likely to maintain a low profile

BY NICK BUNKER, INSURANCE CORRESPONDENT

IN THE 1988-98 financial year, Lautro expects to be spending £2.8m a year on regulating about 400 members—which will include friendly societies as well as life companies and unit trust managers.

That will make its budget considerably smaller than those of the UK's other financial Self Regulatory Organisations (Fimbra, for instance, the equivalent body for investment intermediaries, plans to spend about £8.3m in 1988).

Judging from the 41-page policy statement which it published yesterday along with its proposed rule book, Lautro will be a relatively low-profile, unobtrusive SRO.

For instance, its enforcement staff will make scheduled inspections of its members' central and branch offices, to make sure that their administrative functions and sales practices conform to Lautro's rules.

But Lautro will give one month's notice of these visits—and will not adopt Fimbra's policy of making random spot checks.

Lautro says it will only make "no-notice visits" in pursuit of "specific inquiries" initiated by its chief enforcement officer.

At present, Lautro employs only 12 staff, with offices at Centre Point, London. It also has six committees, covering membership, commissions, selling practices, product disclosure, advertising and compliance.

Lautro plans to augment its staff by creating "a regional monitoring investigatory capability," and by adding staff to investigate complaints.

It will create two committees to cover monitoring of members, and disciplinary proceedings against those who break the rules. Sanctions against wrong-doers will range from private reprimand to termination of membership. Also, Lautro will appoint an appeals tribunal to review decisions made by the disciplinary committee.

However, it hopes to use the existing Insurance Ombudsman Bureau to investigate complaints by the public against Lautro members. Lautro said the IOB had agreed to do this in cases where the Lautro members were life offices.

The Life Assurance and Unit Trust Regulatory Organisation yesterday published its long-awaited draft rule book, writes Nick Bunker.

Before Lautro can be recognised as the watchdog body for Britain's life assurance and unit trust groups, its rules must be approved by the Securities and Investments Board. They must also be examined by the Office of Fair Trading, which will want to ensure that they are not anti competitive.

The SIB—which received advance copies of the rule book last week—hopes that both these processes can be concluded by early December. Lautro will then be officially confirmed as one of the self-regulatory organisations set up under the 1986 Financial Services Act to police the savings and investment industry.

Stricter council tenders urged

BY RICHARD EVANS

THE CHALLENGE presented by the Government's controversial legislation on compulsory competitive tendering would force local authorities to adopt much stricter monitoring standards, Mr Howard Davies, Controller of the Audit Commission, said yesterday.

His theme, at a National Consumer Council conference in London on standards of service in local government and the health service, was that performance measurement would be a key tool for local authorities over the next five years. This would be the case whether they supported or opposed the legislation.

"It will be important for those authorities who wish to defend their right to deliver services themselves to demonstrate that they are doing so effectively . . . and those who aim to privatise will need to do so within a clearer definition of the performance levels they are endeavouring to sustain," he said.

Mr Davies accepted that authorities of different political complexions would respond in different ways.

"Some authorities will wish to try to retain as much work as possible in-house, and as long as they meet the conditions set in the legislation it is not unreasonable for them to take this line. But it will inevitably mean a major revolution in direct labour organisations.

"They will not be able to achieve this revolution unless they are prepared to move quickly to the monitoring of performance in a clear and coherent manner, and one which allows them to set management objectives which bring their organisations up to acceptable levels," he said.

There are others who would see no virtue in local authority employment for its own sake and who would prefer to get a suitable level of service at the best price. Mr Davies said that success in this "Marks and Spencer" approach to local government could not be achieved by being vague about what was wanted from their suppliers.

"If local authorities wish to get the best out of contractors, then that is the kind of skill they will need to employ. In many cases they do not have such skills at present," he said.

Scots solicitors set up financial services group

By Barry Riley

SCOTTISH SOLICITORS have established an investment intermediary company as a response to the requirements of the Financial Services Act.

Solicitors Financial Services has been created with the approval of the Law Society of Scotland.

It will operate in association with Sedgwick Personal Financial Management, part of the London-based Sedgwick Group, providing quotation and administration facilities in exchange for a share of commissions. The arrangement is designed to make it easier for solicitors to continue to provide independent financial advice after the act comes into force next year.

Code of conduct to control company representatives

BY ERIC SHORT

THE CENTRAL pillar of Lautro's investor protection role will be the operation of a code of conduct that applies to member companies and the company representatives of the members.

The basic aims of the code will be to implement set objectives:

- Maintaining high standards of integrity and fair dealing.
- Exercising due skill, care and diligence in providing any services in the course of business.
- Generally taking proper account of the interests of investors.

The SIB rules laid down the principle of polarisation with regard to marketing life assurance and unit trusts — that the intermediary must either be completely independent or else represent just one company.

Lautro is responsible for monitoring company representatives and has taken care to ensure the investor knows when he is dealing with a company representative and that he can sell only the products of his company.

The code not only deals with telephone contacts and face-to-face interviews but sets out detailed requirements for information to be shown on business cards and stationery.

On the subject of marketing contracts, the code contains detailed rules on "best advice" in the form of a thou-shall and thou-shall-not basis. These tend to be stronger than the corresponding SIB rules.

The company representative is required, as far as is practical to ascertain all relevant details from the investor before making any recommendations.

He then has to give the investor all relevant information concerning recommendations to meet the investor's requirements.

Rules on commission will help investor protection

BY ERIC SHORT

ALTHOUGH THE code of conduct lays down firm principles on how intermediaries should deal with clients, Lautro, following the SIB rules, is reinforcing investor protection by laying down rules on commission payments to independent intermediaries and product disclosure requirements in all sales.

The aim is to ensure that recomendations are not biased by remuneration considerations —that is selling a particular product or promoting a certain life company because it pays higher commission.

SIB itself bans overrider commission payments—higher payments to salesmen for volume business—a potential source of bias.

SIB also attacks the problem of commission bias by requiring all independent life and unit trust salesmen to disclose commission to investors at the point of sale, known as harsh disclosure, unles the member company is bound by an industry-wide maximum commission agreement, known as soft disclosure.

Lautro has firmed up this industry-wide commission agreement. The central theme is limiting the initial payment. General practice in commission payments is to make high initial and very low renewal payments.

Although the agreed scale keeps the same format, it spreads the initial payment over much longer periods.

Lautro has also ensured that commission payments cannot be circumvented by indirect benefits. Entertainment is allowed but must not be excessive, while promotional gifts are limited to £25 in a calendar year.

Restrictions on indirect benefits go much further. Members cannot supply software to intermediaries except at full commercial cost

Steel output up 21 per cent so far this year

By Nick Garnett

STEEL OUTPUT in the UK this year has been running 21 per cent above last year, according to figures published today by the steel industry.

Production in the first eight months of 1987 averaged 321 tonnes a week compared with 268 tonnes during the same period last year.

Provisional figures show that total UK steel output was 11.2m tonnes in the eight months to August as against 9.3m tonnes for the same period in 1986.

Some of the increase is the result of a distortion in supply caused by the relining of British Steel Corporation's Redcar blast-furnace last year which depressed 1986 production.

It also reflects increasing demand in the UK and abroad for steel made in the UK, reinforcing the position of BSC which is complaining about the restraints placed upon it by EC production quotas.

Midlands Metro plan launched

BY LYNTON McLAIN

THE WEST Midlands Passenger Transport Authority yesterday launched plans for a Midlands Metro rail project, to be operational by 1992.

The cost of the metro was put by the authority at £800m over the next 30 years, with £200m expected to be spent on the initial outlay.

About half the money could come from the European Community's regional development fund, with the balance from government grants and the private sector, the authority said.

Trafalgar House is considering taking an equity stake in the metro.

The authority has proposed a network of lines radiating from Birmingham and through the neighbouring Black Country.

The authority wants an enabling parliamentary bill to be introduced in 1989, so that the first 12-mile route can be started in 1990.

Welsh expansion schemes announced

BY ANTHONY MORETON, WELSH CORRESPONDENT

TWO MORE plant expansion schemes have been announced for North Wales, bringing the total of new jobs in the principality to almost 1,000 this week.

Hygicare, a Wrexham workwear maker, is to take on another 150 machinists and G. G. Hahn is to open a factory at Mold nearby to produce stabiliser systems for the food industry, the first time they have been made in the UK.

In addition the Automobile Association is to expand its insurance services in Cardiff, which should add about 50 to its workforce, and an announcement is expected before the end of this month of a further 150 jobs being created in the high technology sector in Bridgend.

These announcements follow closely the announcements on Wednesday of 30 new jobs at Aberdare by the Sheer Pride Office furniture concern and a smaller number in Wrexham by John Hine to produce handmade model cottages.

Hygicare has just won a contract worth £400,000 from the Government for 2,000 boiler suits a week.

Hahn is a West German concern which opened a sales office in the UK four years ago and has decided to begin production. The sales office will also be moved to north Wales from Kent.

UK NEWS – THE TUC AT BLACKPOOL

Unions divided but drawing closer

The TUC closes today in Blackpool with Britain's unions divided over future strategy but drawing together on the need to find if possible some way of restoring their role and influence, Philip Bassett writes.

Senior TUC leaders will next week begin work on deciding on first the members and then the programme of work for a special review body on union organisation, which is expected to be headed by Mr Clive Jenkins, general secretary of the white-collar ASTMS, who will today be elected TUC president for the coming year.

Yesterday's congress debates saw further sharp divisions over both civil nuclear power and nuclear weapons, reflecting the diverse models of unionism being offered on the one hand by the militant National Union of Mineworkers and on the other by the more conciliatory EETPU electricians and AEU engineering workers.

But union leaders broadly agree of the need for the review —the principal outcome of the congress week—to try to find solutions to the problems facing Britain's unions of falling union membership at a time of rising employment, and accordingly, continuing falls in the proportion of the workforce who are union members.

The review will cover a number of areas, including the controversial issue of strike-free sinle-union deals and the differing attitudes of unions towards them.

Most union leaders as they left Blackpool yesterday seemed

Reports by Philip Bassett, David Brindle, Charles Leadbeater, Jimmy Burns and John Gapper

Pictures: Alan Harper

convinced that some kind of formula could be found by the review to resolve the problem—though equally, few were able at this stage to make concrete suggestions about what that formula might be.

If the issue is resolved—and TUC leaders are insistent that it will have to be—then the review will move on to wider issues. Foremost amon them will be how best to deal with growing non-unionism.

It will also encompass the work and organisation of the TUC itself, and will take on board the idea, proposed by the IRSF tax staffs' union and approved by the congress yesterday, of setting up an independent research body to promote new thinking for the trade unions.

● The TUC is to consider setting up an independent, policy think-tank, to stimulate wideranging debate around innovative left of centre policies.

The think tank's role would be modelled on that of the group of independent think-tanks, including the Institute of Economic Affairs, and the Adam Smith Institute, which had a significant influence on Conservative thinking in the late 1970s and early 1980s.

Delegates overwhelmingly supported a motion from the IRSF which urged the general council to consult with unions, political parties, academic institutions, and charities, with the aim of establishing a think tank within 12 months.

However it seems unlikely that the TUC will move that quickly to take up the idea. Mr Rodney Bickerstaffe, the chairman of the TUC's economic committee, cautioned that given the need to raise finance, recruit staff, and find premises it was unrealistic to hope such a centre could be set up within a year.

Mr Clive Brook, of the IRSF, warned delegates that to be effective the research centre would have to produce ideas which would not necessarily be aceptable to the unions. He noted that the Labour Party's election campaign had been hampered by a lack of detailed research on a variety of issues including taxation.

Arthur Scargill: the in challenger to the policy of the leadership

Nuclear balancing act survives challenges

THE TUC's support for unilateral nuclear disarmament and its delicate balancing act on nuclear power survived strong challenges from right and left respectively.

A move by the AEU engineers and EETPU electricians to call for a referendum on nuclear disarmament received barely any backing when the two unions forced a vote against the wishes and pleas of the TUC leadership.

Similarly, delegates voted by a substantial majority in favour of a further year's review of nuclear power, rejecting a call by the NUM miners and FBU firefighters — again against leadership pleas — to adopt an antinuclear stance.

The nuclear disarmament debate was the most emotional of the week. Mr Ray Buckton, general secretary of the Aslef train drivers, was given a standing ovation for what was his last Congress speech before his retirement next month. Mr Buckton, advocating continued support for unilateralism, urged the AEU in the interest of unity not to press the referendum.

Mr Bill Jordan, AEU president, refused to comply. To loud heckling, he said that nuclear weapons had kept the peace in Europe since 1945 and that unilateralism was like "offering the Russians a no-strike deal before we obtain the benefits."

Mr Jordan said a government had no right to take the nuclear deterrent away without the permission of the British people.

Mr Ken Gill, general secretary of Tass, the manufacturing union, replied that to abandon unilateralism would be "political suicide" in the present international climate. The USSR disarmament offers presented "a wonderful, thrilling prospect" for the world.

Congress voted for Tass's reaffirmation of TUC support for "British nuclear disarmament as a significant contribution to world peace, British security and the revitalisation of the British economy."

Earlier, Congress had heeded an appeal by Mr Norman Willis, TUC general secretary, to allow another 12 months for the TUC's nuclear energy review and not to "jump the gun when there are important hurdles left to jump."

Mr Arthur Scargill, NUM president, said Congress had been assured last year that the review would take only 12 months. "Once again we are being asked by the (TUC) general council to delay, to procrastinate on an issue of vital importance to mankind."

With 40,000 trade unionists in the nuclear power industry, the NUM's failure to push through its call for phasing out of nuclear plants averts a serious inter-union clash.

Department planned for women and equal rights

THE TUC voted yesterday to establish an equal rights department to promote the interests of groups in society and in unions such as women and the ethnic minorities.

Technically, the congress voted, also by a substantial majority, as well to set up a women's department, but Mr Norman Willis, TUC general secretary, made it clear that in accepting the resolution on the women's department from the health union Cohse, the women's section would be an integral part of the overall equal rights department.

He called it a "very important move forward" for the TUC, part of its determination to work at the task of organising, involving and building services for women within unions.

Ms Rose Lambie, from Cohse, said that though one-third of trade unionists were women, the unions had failed to achieve participation of women members.

Though Cohse accepted an amendment from the NUT teachers' union that the proposed women's department should not be staffed solely by women, Mrs Lambie stressed that such a department would have to feature a substantial women's involvement.

Pointing out that all seven heads of TUC departments were men, she said there should be "no attempt to exclude women from the male corridors of the TUC."

Mrs Dawn Cassell, from the CPSA, civil servants, said the TUC General Council's patronising attitude to women was "backward, condescending and outdated."

Arguing for the recruitment to unions of women, Ms Lynn Lloyd, of the film technicians' ACTT, said: "Women need a trade union to fight for them and you need members. You need subscriptions. What was once a moral necessity is now a financial necessity."

Mr Ken Gill, who chairs the TUC's equal rights committee, said that women would join trade unions if they had a chance to become a force in the unions they join.

Building unions shift stance to accept self-employment

CONSTRUCTION UNIONS yesterday acknowledged publicly that they had to accept the rise of self-employment among workers in the industry and change their policies to accommodate it.

It was the first time that the leaders unions traditionally opposed to any sanctioning of self-employment had spoken out together so strongly in favour of a change in attitude.

Congress backed a composite motion from the EETPU electricians' and Ucatt construction workers' unions recognising that "modern industry requires new working patterns which a changing society is more prepared to accept."

The motion was proposed by Mr Albert Williams, Ucatt general secretary, who pointed out that the majority of construction workers were now self-employed, despite the opposition of unions to the development.

He said that unions did not choose which way labour was recruited, and attacks by the Government of local authority direct labour organisations were threatening even public sector control of construction employment methods.

He was backed by Mr Paul Gallagher, EETPU president, who said that unions would simply be making "futile gestures" if they refused to recognise the growth of self-employment. "For us, there is no choice. We are going forward," he said.

There was opposition to the motion from Mr Brian Williams, a national officer of the manufacturing union Tass, who said that the self-employed were "budding entrepreneurs" who were "utterly opposed to the principles of the trade union movement."

The motion was passed with opposition only from Tass after Mr Williams replied that workers who were self-employed for tax purposes had been found in industrial tribunals to be effectively directly employed.

Working to be your own boss

John Gapper on the tax gains of being self employed

THERE have been fewer more rapid and far-reaching changes in a sector of the labour market than that which has occurred over the past decade in the construction industry. The relentless growth of self-employment has left both unions and employers' federations struggling to adjust.

Yesterday's vote in congress was a significant move towards a fresh policy of responding to the development rather than trying to ignore it behind declarations of total opposition. Unions have previously baulked at admitting so clearly that they cannot turn back the tide.

Inland Revenue estimates now put the number of construction workers who are self-employed at about 600,000, compared to some 500,000 directly employed. The total registered as self-employed has doubled since the "714 tax form" system was set up in 1975.

The attraction of self-employment for both the construction worker and employer is plain: a 714 tax form enables the worker to charge expenses against earnings, and means that the employer does not have to pay a National Insurance contribution, or holiday pay allowance.

For unions, it has spelled bad news in terms of membership and the degree of control they can exercise over the running of the industry. Ucatt's membership has rallied somewhat in the past two years following an intensive recruitment campaign, but is still down to some 250,000 from 330,000 in 1980.

Ucatt's official policy so far has been not to recruit any self-employed workers and to rely instead on resisting the growth in their numbers by trying to tighten joint industry agreement and supporting measures such as local authority contract compliance.

The strategy is about to be weakened further by the Local Government Bill's provision for the outlawing of contract compliance. Labour-controlled councils will no longer be allowed to insist that companies carrying out construction work on their behalf do not use self-employed workers.

Ucatt was given another push last month when the EETPU electricians dropped a similar policy of refusing to co-operate with the Electrical Contractors Association in its attempt to change joint industry structures to take account of the — less pronounced — rise of self-employment in that sector.

The EETPU and the ECA both argue that self-employment is likely to spread to the same extent as in construction as a whole unless they react fast. They are now discussing alterations to the ECA's newly established labour agency for self-employed contract electricians.

But the sector — in which there are estimated to be some 12,500 self-employed workers compared to 32,000 directly employed — is unusual in that the employers' federation and the major union are in agreement on trying to stop self-employment spreading too widely.

The Building Employers Confederation, representing 8,000 companies, now believes that the presumption against self-employment built into its 65-year-old joint agreement with unions is outdated and on unions is outdated and no the construction industry.

It argues that because companies contracting work to self-employed workers must pay a 2 per cent training levy to the Construction Industry Training Board — against 1 per cent for a directly employed worker — little damage is being done to the industry's future.

Training may be the area in which Ucatt will move towards tacitly accepting self-employment. The employer side of the CITB would like to see the self-employed brought within the scope of training grants for the first time under a pilot scheme for the farming out of apprentices to smaller companies.

Congress discovers the joys of the marketplace

Jimmy Burns on a profitable exchange of views

THE EMERGENCE of a more market-based trade unionism has been much in evidence at the first-ever TUC Congress exhibition.

With its 52 stands, the exhibition has provided delegates and visitors with the potential of a marketplace almost as diverse as at any employers conference.

The only companies officially barred from particiating were those the TUC considered could cause "deep and widespread offence" — that is any with investments in South Africa or with a record of anti-union activity.

Companies like Eurotunnel and British Nuclear Fuels, which are offensive to some unions but not others, have been allowed to exhibit alongside lobby groups and charities such as the Anti-Apartheid Movement, the British-Soviet Friendship Society and the Charities Aid Foundation.

Although the event is new the TUC appears to have had little difficulty attracting big names — British Airways has been giving away pens and running a competition for free flights to New York.

Quite apart from generating much needed revenue — the TUC has made £20,000 from leasing the stalls — the exhibition has provided delegates with ready access to the kind of services they are under increasing pressure to use as they struggle to retain and recruit membership.

Few exhibitors are more convinced of this than Allied Anglo Financial Services, a private company set up two years ago by an investment consultant.

The company, which has invested more than £5,000 in the exhibition. Mr Derek Owens, a trade unionist turned marketing executive with AAFS, says: "Trade unionists have money to spend and they want to know where it can best be put."

His company is already offering advice on group pensions to Cosa, the white collar section of the National Union of Mineworkers, and civil servants' unions. It claims to have over 100 individual trade unionists as clients.

ICL the computer manufacturer has already booked space for a repeat exhibition next year, it is developing with UK software companies a range of specific information systems with trade union applications.

ICL has invested £10,000 in publicity at this year's Congress and has no doubts that it is money well spent. The company has already sold legal aid systems to the AEU engineering union, the NUM and the National Union of Tailors and Garmentworkers.

ICL has also tailored a "political lobby system" — providing computer-based information on politics and political trends —for Tass, the left-led white-collar union.

Mr Chris Abdey, ICL's exhibition representative, says: "The key thing is that the TUC now realises that if it is to survive as a services organisation in the 1990s, it is going to have to concentrate on providing quick and efficient information to its members . . . I've no doubt that we're in business."

British Telecom initially saw its presence at the exhibition as strictly a public relations exercise. But it has also secured a number of sales

According to Mr Norman Howard, BT's public affairs executive, the company's business information services and portable telephone systems had proved very popular

Much of the platform rhetoric this week has suggested that many left-wing trade unionists still regard gadgetry and image-building with suspicion. But in the exhibition hall the signs are that a new era is dawning.

Airlines merger proposal backed 'to save jobs'

CONGRESS backed a call on the Government to approve the planned merger of British Airways and British Caledonian Airways.

An emergency resolution on the issue was declared carried by "a very large majority" after speakers from airline workers' unions warned that thousands of jobs would be at risk if the merger was vetoed.

Mr Doug Hoyle, the Labour MP who is president of ASTMS, the white-collar union, told delegates the idea of BCal as a "second force" was dead: Britain needed a strong, single main airline to compete with the US "mega carriers."

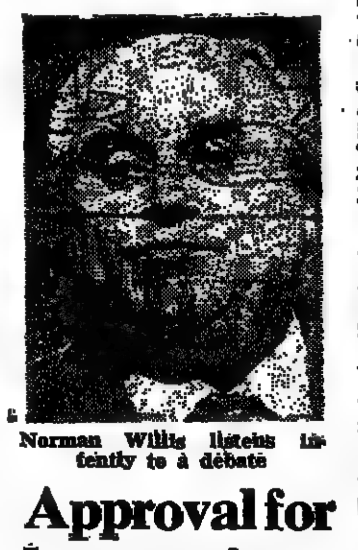
"Surely we are not going to commit the folly of handing over BA to the Americans like a plump chicken waiting to be plucked," he said.

Mr Mark Young, general secretary of the Balpa airline pilots, said a BA-BCal merger would create many extra jobs in an expanding air market. "It is absurd to believe that small airlines are going to produce the kind of investment that is going to be needed."

● A takeover should only be allowed on the understanding that the purchase would not be resold for five years, delegates decided.

They unanimously backed a wide-ranging motion on takeovers which called for new legislation to ensure: employees would be consulted during a merger; "pension funds would be protected"; establish an Employee Protection Agency and reverse the onus of proof so that mergers would only be allowed if they could be shown to be in the public interest.

Delegates went on to back a call for the Government to substantially increase investment in non-defence research and investment



Norman Willis listens intently to a debate

Approval for levy against apartheid

TRADE UNIONISTS are to be urged to contribute a voluntary levy to help boost the TUC's financial assistance to South African unions opposing apartheid.

A motion supporting a levy equivalent to one hour's pay was unanimously approved by Congress after one of the most emotionally charged debates of the week. The levy is expected to boost the £50,000 the TUC recently set aside for relief and legal assistance to South African unions.

Mr Garfield Davies, general secretary of the shopworkers union Usdaw, who recently led a delegation to South Africa, described the regime in that country as the "world's worst example of man's inhumanity to man."

Following the vote, delegates gave a lengthy standing ovation to a visiting delegation from South Africa of black trade unions.

OTHER LABOUR NEWS

Key ruling for women's redundancy

By David Brindle, Labour Correspondent

A HOSPITAL worker has won a key ruling under European law that women workers must be paid the same severance or redundancy pay as male colleagues.

The Department of Health and Social Security said yesterday that the ruling, by the Employment Appeals Tribunal, could have wide implications.

The ruling follows a judgment last year that women must not be compelled to retire at an earlier age than male colleagues. It is likely to add to pressure for introduction of a common state pension age.

The EAT's decision this week was in the case of Ms Mary Cato, a former domestic worker at Queen Charlotte's Hospital, west London, who was made redundant last year when her job was privatised.

Because Ms Cato was just two months short of her 60th birthday, and therefore retirement, she lost most of her redundancy entitlement of £5,941 for 18 years' service. Under National Health Service rules, she received only £990.

Backed by Cohse, the health workers' union, Ms Cato's claim for payment of her full entitlement was upheld by an industrial tribunal under the 1976 EC Directive on Equal Treatment.

The DHSS backedm an appeal against this by the Hammersmith and Queen Charlotte's Special Health Authority. But the EAT has gone even further than the tribunal and ruled in favour of a cross-appeal by Cohse that Ms Cato was unfairly discriminated against under Article 119 of the Treaty of Rome.

This use of the article, one of the first direct applications of EC law by UK courts, in effect brings severance terms under equal pay regulations.

Cohse says the National Health Service — and possibly other employers — will be obliged to pay full severance terms to women unless they are over 64 and therefore of an age when male colleagues would also lose some entitlement.

The union believes the effect may be backdated for women who have lodged discrimination claims. Ms Judith Carter, Cohse't equal opportunities officer, said: "We think this is a major victory for equal rights."

Tory unionists rap proposed strike law

BY PHILIP BASSETT, LABOUR EDITOR

CONSERVATIVE TRADE unionists are pressing the Government to drop its new employment law proposal which would prevent unions from disciplining members who go to work in even a legally-constituted strike.

The opposition to the proposal, the so-called "scab's charter," from the Conservative Trade Unionists' organisation —the Tory party's own trade union arm, based in Conservative Central Office in London—will be highly embarrassing for Ministers, who claim their plans for new legislation are widely supported by moderate union members, if not by their more militant leaders.

CTU officials are to meet Mr Patrick Nicholls, junior employment minister, shortly to discuss their opposition to this and another key part of the Government's plans, which are expected to be disclosed fully in a bill to be published next month. Informal discussions between the CTU and Mr Nicholls took place last night at the organisation's reception at the TUC Congress

The formal meeting will follow recent talks with Mr Norman Fowler, employment secretary, and the tabling of the CTU's criticisms in a submission to the Department of Employment.

Though the CTU has criticised the Government before—especially over its banning of trade unions at GCHQ Cheltenham—it has never done so over any its proposals for labour law reform.

While CTU welcomes much of legislative proposals outlined earlier this year in a green paper, and especially the tesablishment of a special Trade Union Commissioner, it is unhappy on two issues discipline and elections.

● Discipline: The CTU's national committee overwhelming decided against the proposal to prevent unions disciplining members who cross picket lines and go to work in a strike, eve nif that strike has been fully and legally authorised by ballot.

The CTU believes that this is wholly inconsistent with the rigidly ballot-based democracy of the Government's previous employment law, and would be open to exploitation by mavericks.

It feels valid upon majority decisions ought to be accepted, with one CTU member saying: "We don't see how you can be members of the club, and not accept the decision of the majority of the members."

● Elections: The CTU feels, although with less force than on discipline, that the Government's proposal for many more union officials to be elected is irrelevant to the practical operation of many unions. However the CTU accepts it is necessary for some, such as the NUM

The CTU is urging the Government not to include the first of these proposals in the bill. Mr Alan Paul, CTU chairman, said yesterday: "We are concerned that with the vast majority of trade unionists who think that the legislation so far has been good. This could have an adverse effect on what has been so popular."

Air traffic engineers say pay dispute is hardening

BY JIMMY BURNS, LABOUR STAFF

UNION LEADERS yesterday said that a pay dispute involving air traffic control engineers is hardening and could lead to delays in flights to and from the UK this weekend.

The week-long national action by the engineers, who oversee crucial equipment such as computers and radar equipment, has focused on a withdrawal of overtime work.

But yesterday there were reports that on Wednesday a group of engineers at the main UK air control centre at West Drayton had threatened to walk out after management had asked them to fill in for one of their absentee colleagues.

The Civil Aviation Authority yesterday said the problem has been "resolved." It also claimed the dispute had caused no flight delays this week.

However, it confirmed the predictions of union leaders that the situation could change for the worse if there was any failure to any of the main computers which feed information on local and overflying air traffic.

The CAA and union leaders are to meet in London on Monday in an attempt to find a peace formula. The 1300 engineers have threatened to consider all-out strike action after September 18 unless the CAA agrees to substantial pay increases similar to those negotiated recently by the air traffic controllers.

MANAGEMENT

Profit-related pay

Not such an easy option

Richard Waters examines the background to a new system of motivating UK employees

CAN PROFIT-related pay schemes succeed in the UK, or will they raise expectations among employees beyond the ability of companies to deliver? The intention - that linking part of workers' pay to profits will motivate them - is fine in theory, but will it be hard to achieve?

As the time fast approaches when many companies must decide whether or not to introduce such a scheme - profit related pay (PRP) was introduced in this year's second Finance Act and is an arrangement which allows up to £1,500 of an employee's pay each year, over and above usual allowances, to be free of income tax - two opposing views of their worth are emerging.

One view has it that PRP will be a huge success. Already, 23,000 companies have expressed an interest in finding out more about it, says the Inland Revenue. (Only schemes recognised by the Revenue will qualify for the tax relief.)

The opposite view is that profit-linked pay will add to a company's wage bill, and so will not be taken up by many. The pessimists also argue that companies are asking for information about PRP schemes only because they fear employees will push for them.

"Every responsible employer has got to find out what it is all about," says Ken Schwarz, director of remuneration at management consultants Inbucon. "The real test will be the take-up."

The Inland Revenue last week produced guidance notes which should help employers to decide whether or not to introduce a PRP scheme.

At the same time, though, the Revenue says that it cannot guarantee to register a scheme in less than three months - though it may be able to process applications in less than this time. Schemes must be registered before the start of the financial year to which they relate.

This means that companies with financial years ending on December 31 - a common year-end date - must register a profit-related pay scheme before the end of this month to be sure it will come into effect for 1988.

Otherwise, the first period for which the scheme can operate will be 1989. This would not show through into employees' pay packets until well into 1990, when profit for the year has been calculated and verified by an independent accountant.

PRP is intended to be more than just another executive perk. Linking the pay of employees directly to profitability is a political goal judged well worth the £50m it was originally expected to cost the Exchequer.

Cynics claim that it will not only be the Exchequer that loses out. Employees will see PRP as a tax-efficient bonus - adding to wages, rather than replacing an existing slice of pay.

"People will expect their normal pay increase, whatever that is, and on top of that a PRP scheme. That is bound to lead to an increase in the salaries bill," says Schwarz.

The experts do not agree on the motivational benefits which could justify the extra costs of profit schemes. The effect can be measured when an individual's pay is linked directly to his or her output or some other measure of personal performance. But the weaker an employee's influence over profit, the less effective the scheme is likely to be.

> The Inland Revenue says that it *cannot guarantee* to register a scheme in less than three months

The decision to link profit-related pay to net profit rather than some other measure of performance, such as operating profit, further weakens the link between performance and reward. It means that factors which are outside an individual group of workers' control - such as the rate of depreciation charged on equipment, or exceptional write-offs incurred by the company as a whole - can have an affect on their earnings.

Workers may therefore find themselves operating moreefficiently, but see "profits" decline. The manager who can explain the fairness of this to employees is a rare animal.

The problem stems from the Government's desire to marry two aims which are not always compatible. One is to reward employees on their performance. The other is to achieve the economically desirable goal of providing a buffer, in the form of a reduced wage bill, for firms with falling profits. The latter means that profit-linked pay has to follow the profits of the company as a whole.

Companies opting for PRP schemes will therefore be committing themselves to a heavy communications burden if the schemes are to work. An undesirable side-effect of this will be that profit and loss accounts for individual units or subsidiary companies, hitherto regarded as commercial secrets, will be made public for the first time.

Having made the decision to set up a scheme, employers face two key questions: which workers should be included in a scheme, and how should the profit-related element of the pay be calculated?

The Revenue's rules are drawn widely to allow any unit within a company to have its own PRP scheme. Several schemes can exist side by side (though employees in more than one only get the tax relief once).

Examples given in the Revenue's guidance notes include functional or geographical groups within a company. Defined groups could also include all those involved with a particular product, regardless of their function or location.

Any sub-division of a company's operations is acceptable, in fact - provided its performance can be audited by an independent accountant.

The requirement for an audited profit and loss account is likely to be the main limiting factor on the design of PRP schemes. For a start, employers will bear the extra cost of the audit.

The Revenue, while conceding that there will be start-up costs in designing and getting professional advice on schemes, claims that costs in future years will be minimal.

The profit and loss account rule also raises the question of how income and costs are to be allocated between different groups within a company. In effect, it means that only those units accounted for as profit centres can have their own scheme - the alternative being to adopt a scheme for the company as a whole.

"I can see difficulties where the company's structure is not one that matches the units," says Professor Michael Bromwich, president of the Chartered Institute of Management Accountants and CIMA professor of accountancy at the London School of Economics. Generally, though, companies' management information systems are sufficiently well developed to produce the type of information required for a PRP scheme, he says.

The profit and loss accounts must conform with Companies Act requirements. The cost of producing these figures and having them audited should give companies pause for thought, particularly if schemes are designed for small groups of workers.

The costs to partnerships, which are not required by law to produce accounts to the Companies Act requirements, will be greater than those to companies. Setting up a PRP scheme will involve them in preparing two sets of accounts and undergoing an audit for the first time.

The second key question is: how should the profit-linked pay be calculated? Two methods are allowed, both of which permit companies to set an upper limit on distributions. This is expressed as a percentage of the previous year's profits. For instance, a "ceiling" of 150 per cent of last year's profit will prevent extra profits being distributed.

Also, a "floor" can be set. This prevents any payment at all if profits fall below a determined level.

The first of the two methods is based on a simple percentage of profits earned by the unit.

The second is based on a more complex calculation which enables companies to limit the effect of rises or falls in profits. Only a pre-arranged fraction of the rise or fall filters through to employees' pay packets. This is likely to be palatable to companies whose future profitability is uncertain.

Many companies will not need to mull over these issues. Those that already operate cash-based profit-sharing schemes are likley to lose little by turning them into recognised PRP schemes. They virtually provide a guarantee from the outset that PRP will be a success.

Domestic appliances

Mixing an export menu

Christopher Parkes on Kenwood's growth plans

YOUNG TIMOTHY PARKER, going on 32, sounds ambivalent about his company's best-known product. He regards the Kenwood Chef, going on 40, as "a useful elephant" and thinks it positively unsexy alongside the up-and-coming generation of kitchen gadgets.

But he also recognises that were it not for this heavyweight helpmate, the Kenwood company would have lost far more ground in the small appliances market, and might well have been thrown out of the Thorn EMI stable along with the job lot of washers, cookers and other major appliances sold for a song to Electrolux earlier this year.

"Were it not for the fact that we have the Chef we would have had a tough time," he says. "Fifty per cent of the profitability of the company still derives from this product."

These profits, rare enough in an industry plagued by the slimmest of margins, and the fact that the Chef has kept the Kenwood flag flying in many overseas markets, are valuable props to Thorn's and Parker's belief that the business can be made to blossom.

It could take some time.

Parker, who gave up a job in the Treasury (and a "paltry salary") to move into industry, skipped briskly through two other posts, in the US and at Crypto Peerless in Birmingham, before alighting at Kenwood a year ago.

"My resting time here could be longer. I don't like to leave until the building blocks are in place. I want to ensure we get solid expansion in what can be a seasonal, blippy market."

Stage one has been a rapid but controlled extension of the Kenwood range. Modern multiple retailers who dominate the market tend to stock a brand only when it offers a full range of associated small appliances - hence the appearance of Kenwood irons, fryers, toasted sandwich makers and the like.

This diversification was under way before Parker was appointed. However, the company had been slow to recognise the need for range extension, and its early efforts to catch up created something of a muddle - both on shop shelves and in the company.

Now it has an advanced products group on its R&D payroll briefed to think four or five years ahead, and re-educated in commercial realism.

"There had been a lot of speculative R&D work," says Parker, jibbing at the self-indulgent system which spawned too many ideas that showed themselves to be unprofitable once they were too far down the development line.

For the present, Parker's attention is tightly focused on the company itself. "Lots of companies in our business are interested mainly in market share and big volumes," he says. "But the crucial thing is to build a cost structure that will give a very good profit in boom sales years and sustain the business in leaner times.

"We want to get our overheads down, build the range and get into a position where we can spend 10 per cent of sales on advertising and still make a profit."

Once this is achieved, Kenwood has a chance to become a properly international company.

The signs are already present in new stylings from Kenneth Grange at Pentagram, which echo the sophisticated "Eurolook" of brands like Braun and Krups.

Although 60 per cent of Kenwood sales are made overseas - its strong presence in Scandinavia and the old European Free Trade Area (Efta) reflects its rather aged marketing profile - Parker really wants a piece of the US market.

European-style small appliances have bridged the culture gap, and sell well there at a premium. But the high cost of launching a new consumer brand in the US is a formidable obstacle, as giants like Unilever can confirm.

Earlier Kenwood forays failed, Parker believes, because the company had unrealistically high expectations of what could be achieved in a short time with a small budget.

His way is based on a five-year strategy based on the skills and energies of entrepreneurs who know the market. "We have found one or two guys who think they can make their fortune by marketing our products," he says.

With premium products with real features to back their conviction, their approach will be to work hard at the department store chains.

"Get into Maceys and Bloomingdales will probably be interested...after that comes Wilbur B. Schmaltzer on the West Coast and all the other specialists..." he says.

However, marketing and styling are only relatively small parts of the overall "product." Kenwood's international competitiveness is the key, and, according to Parker, a real strength which it shares with a growing number of British manufacturing companies.

"Quite a lot of UK manufacturing is leanish and meanish," he says, having been prodded into action by European competitors and having woken up to the fact that it has advantages which can serve it well in international markets.

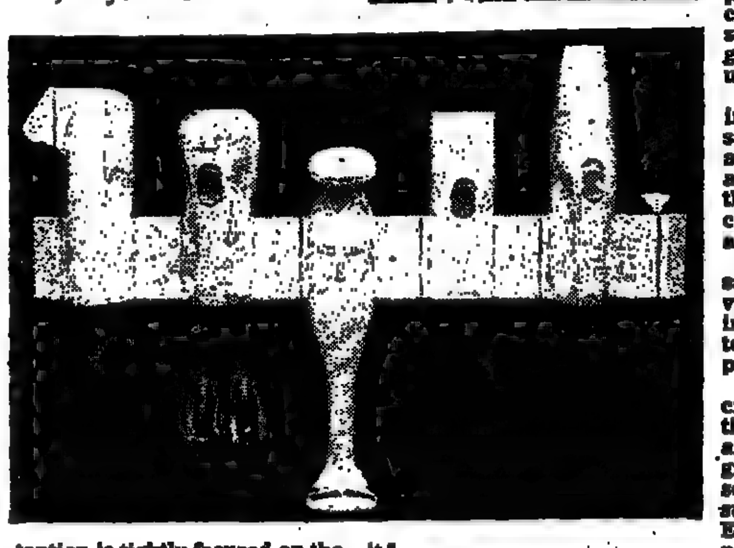
"The exchange rate helps," he says. "But there have also been very significant improvements in productivity - and not just in terms of capital equipment replacing people."

People are working more efficiently, harder, and doing things differently. Overheads are leaner, and labour bills are greatly helped by relatively low social costs such as national insurance. Social costs in some European countries, for example, can add 50 to 60 per cent to basic salary bills, compared with 20 to 25 per cent in Britain. Even Hong Kong is losing some of its competitive edge in the labour market, Parker says.

Recognising these advantages, the company is increasing the number of products it makes in the UK, spending £5m on plant and increasing its labour force.

If Parker can get the Kenwood elephant moving again, it may prove difficult to stop.

Timothy Parker (right)and Kenwood's System K range (below) to be launched in time for Christmas. The new product - a series of cordless appliances each with its own wall-mounted charger which can be purchased individually - demonstrates Kenwood's new product philosophy. "It is an innovation and encapsulates a lot of the things we are trying to do," says Parker.



TECHNOLOGY

Following looks at superconductor science at Oxford and Cambridge universities, **Jane Rippeteau talks to Birmingham researchers**

Mixing sake with superconductors

A PERIOD of consolidation is in store for scientists worldwide working on new superconductor technology, predicts Christopher Muirhead, lecturer at the Department of Physics of the University of Birmingham, and one of the UK top's researchers in this field.

Muirhead, just back from two key industry conferences in Japan, says: "There weren't the cries of 'Eureka!' that have been going on. The initial frenetic stage, when the totally new phenomenon was being described almost daily, is now flattening out a bit."

The two August meetings were the 18th Low-Temperature Physics Conference in Kyoto and the International Superconductivity Electronics Conference in Tokyo.

Discoveries of varying importance have come thick and fast since so-called "warm superconductors" were discovered last year by scientists at an International Business Machines research centre near Zurich.

Scientists elsewhere quickly confirmed the work and improved upon it: soon the world had a recipe for a metallic oxide that would transmit electricity without power loss far more efficiently than anything previously thought possible.

The implications, particularly for the electronics and electrical power industries, are tremendous and researchers and industrialists alike began talking about cheap power, faster computers, trains levitating above their tracks, and other applications undreamed of today. Scientists scrambled to develop the technology - and patent their findings.

But the rush to be first has created a storm of questionable reports, critics say. Several reports from the US and Japan, for instance, claimed finding the Holy Grail of superconductor research: materials working at room temperature. But none were confirmed independently.

Such "sightings" are now known in the scientific community as "USOs," for "unidentified superconducting objects."

"People have been unable to reproduce other people's results, and in some cases can't reproduce their own," notes Muirhead. At Cambridge University's Cavendish Laboratory, physicist Yao Liang taps a filing cabinet crammed with recently-published papers on the subject. "Eighty per cent of this will be in the dust bin in six months," he says.

To Muirhead, the shakeout heralds a period of more fruitful research. Much work is focused on finding recipes - most mixtures include yttrium, barium or strontium, copper and oxygen - that will work at room temperature, because then no costly or cumbersome cooling systems would be required.

Other work plumbs drawbacks to commercial use of the new materials: they are of a brittle form difficult to fabricate into useable shapes and they have a "current carrying capacity" far inferior to conventional superconductors.

Physicists such as Muirhead feel the only way to unlock these riddles is to understand the basic structure of the compounds. Scientists are not even sure yet why they work. Millions of dollars of research spending, to pay for people, materials and equipment, is expected to be spent on the problem.

In this regard, Muirhead brought back a gem from the Japanese conferences: just as one cook knows secrets to a successful souffle that another lacks, Muirhead gleaned details for cooking up single large crystals of his superconducting compounds that he had previously been unable to grow.

"What I brought back," he says, "was the really vital little tricks that I got over a bottle of sake one evening."

The development of single cyrstal fabrication techniques is an important step in the incremental moves scientists are making to understand and harness the new technology.

Researchers feel it is essential to have single crystals of the materials for their work. Clumps of many small crystals bunched together wind up at angles to each other and are separated by boundaries. Just as soap bubbles burst if their walls are punctured, crystal boundaries effect the way electrical current moves from one crystal to another.

This interferes with the electrical transmission capability of the material: it can transmit electricity with almost no resistance, but it cannot do so in great volume.

At the conferences, says Muirhead, "there was a lot of detailed information on how to grow these crystals. It is now clear there are no major obstacles to growing large single crystals" of several centimeters in size.

To date, Muirhead's team at Birmingham has been able to build single crystals of less than one millimeter in size. He declines to specify what new techniques will help him improve on that. But he adds: "A lot of the really good science in the next several months is going to be done on these single crystals."

Birmingham, a contender for the UK Science and Engineering Research Council's planned superconductors research centres, has in place a research "consortium," headed by Colin Gough, senior lecturer in Physics. This consortium co-ordinates work under way on superconductivity in seven university departments. Some are concerned with basic science, and others with applications.

According to Gough, seven of some 45 individuals involved so far spend 100 per cent of their research time on the new technology.

A SQUID goes in search of submarines

MUCH OF this year's hoo-ha over new superconducting materials has focused on a brave new world of cheap power, faster computers, low-cost medical scanning and other applications that the new technology could make possible. To do these things, several major technical obstacles must be overcome.

However, some less ambitious applications may be possible sooner.

A key limitation of the new materials that perplexes researchers is that while they transmit electricity without power loss at convenient "warm" (though still sub-freezing to humans) temperatures, they can do that in current quantities far inferior to conventional superconductors.

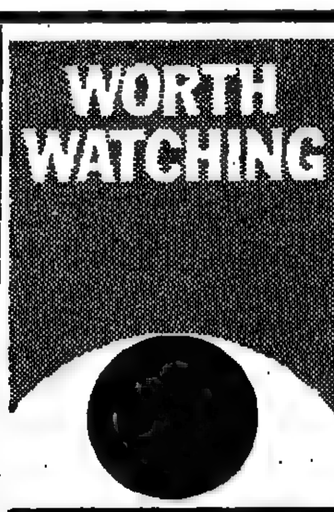
But at the University of Birmingham, physicists have demonstrated a magnetic detection device, called a magnetometer, that does not require high current density. Colin Gough, senior lecturer in physics and co-ordinator of the university's interdepartmental research in superconductors, has already filed two patents on the technology, one in May and one in July.

"This is a real device," says Gough. "It is clear there is an immediate application because it is not limited by the critical current." He says that several industrial companies, one Japanese, have shown interest in the device.

Gough's magnetometer would be no more effective than similar tools now available based on conventional superconductors. But, because it works at temperatures that do not require expensive and unweildy cooling systems, it could be considerably less expensive, he says. Also, equipped with a long electrical cord or car-sized battery, it could be portable.

The magnetometer makes use of a technology called a superconducting quantum interference device, or SQUID. Because is it highly sensitive, it can be used to measure exceedingly small magnetic fields - ones less than one-millionth the already small magnetic field of the earth, explains Gough.

Detection of submarines, and measurement of brain waves and internal organs without surgery are possible applications. But Gough sees a particularly attractive use taking advantage of portability that the construction industry could use: detection of cracks or defects in steel pipes or girders.



Edited by Geoffrey Charlish

GM races for the sunny outback

GENERAL MOTORS' entry for the 1987 World Solar Challenge on November 1 - in which solar-driven electric vehicles are to race 2,000 miles across Australia - will test a new GM electric motor which has achieved an efficiency of 92 per cent in tests. Conventional motor efficiencies are in the 75 to 85 per cent range.

The basis of the motor is a better magnetic alloy called Magnaquench. Its use in an 8lb GM Delco motor results in a continuous mechanical output of two horse power at 4,000 revolutions per minute.

The one-man GM vehicle, called Sunraycer, will have a low streamlined shape based on an aluminium tubular structure and most of its body will be covered with solar cells. The cells will charge batteries from which the vehicle propulsion system will work.

Curtains for the lorry thief

CURTAIN-SIDED vehicles are increasingly popular in the haulage industry because they are cheap and versatile. But they present a security risk due to the ease with which thieves can enter by simply cutting a hole in the plastic curtain. The total loss from all road vehicles in the UK in 1986 was £80m, most of which involved freight.

To make illicit entry much more difficult, Cover Protection of Liverpool in the UK is offering a secondary, security curtain which is plastic-welded to the original and has little effect on the opening and closing action. The curtain has a grid pattern in nine-inch squares made from a continuous insulated length of fine wire braiding.

Any attempt to cut through the curtain breaks the wire and causes an open circuit to activate an alarm. The company claims that the curtain can be opened or closed 0.5m times without fatigue-breakage of the braid.

The security curtain is also likely to find application in railway, barge and boat covers. The cost of fitting to a 24-foot vehicle is £800 to £1,000.

Soft option in estate designs

BUILDERS WHICH are developing housing estates can benefit from a £10,000 personal computer software package from Eclipse Associates of Milton Keynes in the UK.

Eclipse already offers an estate modelling package and has recently agreed with Redland Construction Software (part of the Redland building materials and services group) to incorporate Redland's computer aided design software for house design.

The resulting new package, called Eclipse-Zeta 2000, will allow housing estate builders to deal with almost everything, from overall site survey data right through to individual house designs and their placing on the estate.

GEC gets range of US Abrams tank

GEC Avionics of Atlanta, Georgia, a subsidiary of the UK's General Electric Company (GEC), is to develop a new type of laser rangefinder for the US Abrams tank. The company has won a $10m development contract from General Dynamics, the prime US contractor for the tank.

The rangefinder system makes use of a carbon-dioxide laser producing infra-red signals that can indicate range to a target through fog, smoke and dust. The lasers will be produced at Borehamwood, in the UK, and the systems developed and made in the Atlanta plant. Initial production will amount to 60 systems and GEC hopes eventually to be making some 600 a year.

Finns probe into the flow of food

FINNISH COMPANY Hackman-MKT of Vantaa has developed a compact microprocessor-controlled flow meter for the food processing industry.

The measuring head, mounted in the flow line, uses two electrodes in the fluid and two magnetic coils on the outside. A suitably conductive flowing liquid, passing through the magnetic field, produces an electric current which is sensed by the probes.

The resulting voltage is proportional to average flow rate, while an associated electronic unit produces standard signals for control systems and for connection to a display.

With only two probes in the flow line, the device is hygenic and easily cleaned.

French IBMs given the power of speech

ELAN Informatique, of France, is offering an expansion board and software disk for IBM personal computers and compatibles. This enables French speech to be synthesised from French text which can be typed in on the keyboard or fed from any source of basic computer character code (ASCII).

A likely application will be in telephone networks where appropriate responses to subscribers' queries can be compiled by a computer and turned into speech. Elan's first UK order for the system, which is called Televox, has come from British Telecom.

Powerful punch from Unisys' lightweight

UNISYS, THE big US computer company formed from Sperry and Burroughs, has coined the name Smallframe for a computer it is introducing in an effort to bring "mainframe power, growth and functionality to the traditional minicomputer marketplace."

Basically, Unisys has designed a 48-bit processor and fitted it into the space occupied by a normal 32-bit mini. The company is claiming superior performance in relation to price, and has maintained software compatability with the existing A-Series machines, while offering 115 times the processing power.

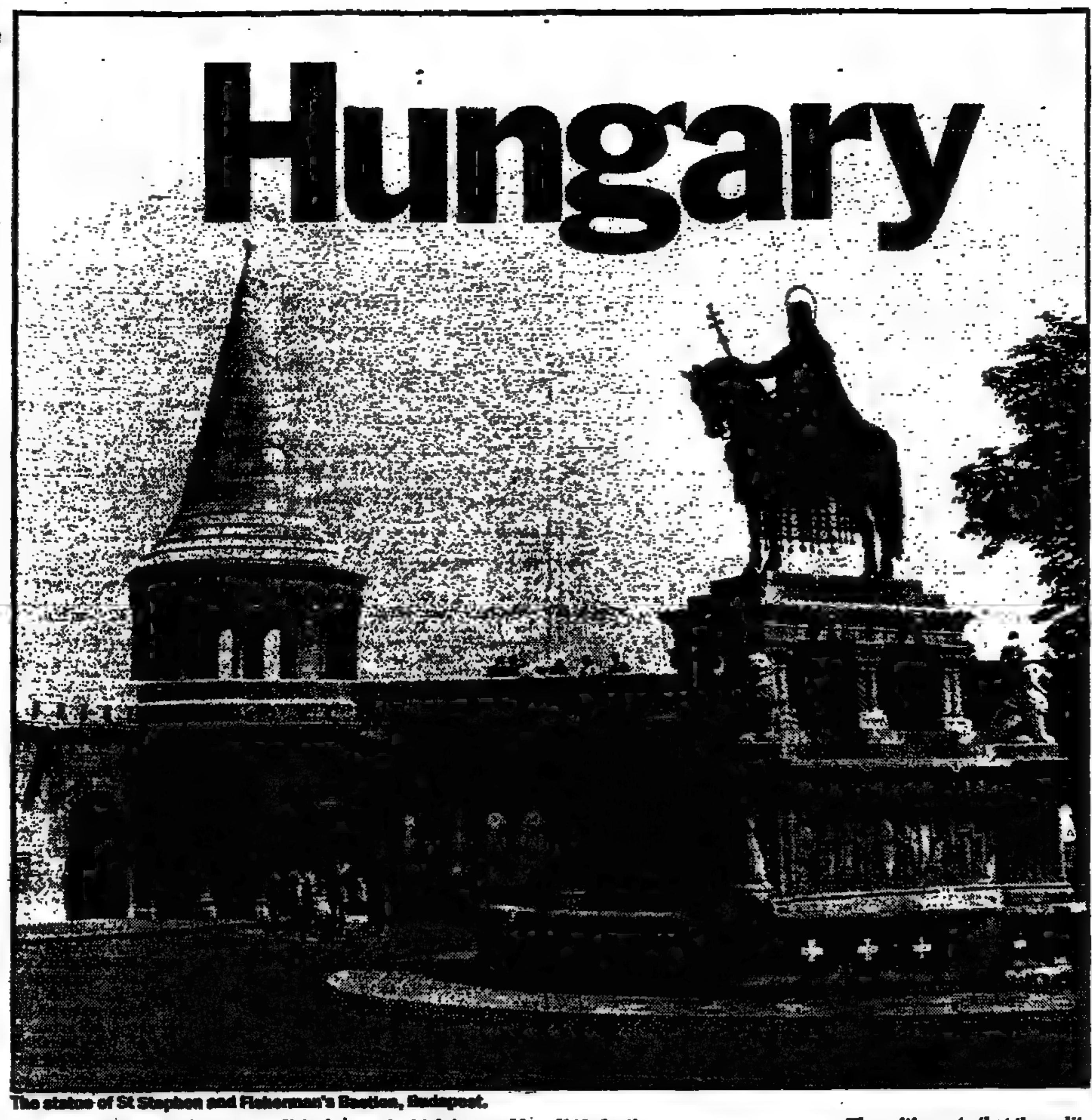
There are three desk-side models, all of which are designed to operate in a normal office environment. The cabinet measures only 18.5 x 29 x 29 inches and in most cases plugs straight into a mains wall socket.

CONTACTS: Unisys: London office, 965 0511. Eclipse Associates: UK, 0908 667798. Cover Protection: UK, 07098 31432. General Motors: UK office, 0582 21122. Elan Informatique: France, 6173 0798. GEC Avionics: UK, 0634 44400. Hackman-MKT: Finland, 876 3975.

FINANCIAL TIMES SURVEY

A testing time lies ahead for Kadarism - the unique blend of compromise and gradualism operated by the country's veteran leader since 1956. Austerity and dripfeed reforms are now insufficient to meet the aspirations of intellectuals or remedy the country's growing economic problems, reports **Leslie Collitt**

Hungary



The statue of St Stephen and Fisherman's Bastion, Budapest.

CONTENTS

Grasping the reform nettle

HUNGARY IS *facing* the most severe test yet of Kadarism, the unique blend of enlightened communism and economic reforms, which is the hallmark of Mr Janos Kadar, the nation's leader for 31 years.

The essence of Kadarism -compromise and gradualism-is being *challenged* by an intellectual elite which is impatient for wider ranging political, and economic liberalisation

The man in the streets of Budapest, and other Hungarian cities, however, remains largely apolitical and addicted to consumerism. Ironically, he tends to blame the previous economic reforms for the high rate of inflation and declining real incomes

Last January, Hungary underwent a "Little Bang" introducing competitive, profit-oriented commercial banks. Although long overdue, it was no substitute for the basic reforms needed to restructure industry *and place it on a competitive* footing.

Monopolistic companies continued to spew out goods which were saleable only on the domestic market or at best in Comecon countries. The introduction of elected factory managers in 1985 has also done nothing to improve the quality of management. Company directors have been still largely selected on the basis of their links with the party and government and not for their managerial abilities.

Mr Kadar's *Hungarian Socialist* Workers (Communist)Party, (HSWP)regards his method of drip-feeding reform measures to the populus as irreplaceable for two reasons.

● The HSWP remains convinced that after the aborted 1956 uprising, Hungarians understood that only gradual doses of reform were possible.(Senior party officials warn of the example of Poland in 1980 and 1981 when the Solidarity trade union pushed the Polish party into the corner with ever-wider demands for political liberalisation.) From experience, Mr Kadar knows that once the bottle labelled 'reforms' is fully *uncorked in a Communist coun*try, the populations' pent up grievances will pour out until nothing remains - *least* of all the party.

Neither Mr. Kadar nor his eventual successor, can wish to preside over the elimination of the HSWP. For this reason they reject the creation of a multi-party system which a good many Hungarians favour. *Instead*, the HSWP envisages an increasingly pluralistic society in Hungary but under the sole auspices of the Communist party.

● The second reason is intrinsically linked with the first. No Soviet leadership can permit the weakening of Communist rule in Hungary or anywhere else in Eastern Europe. Undoubtedly, Mr. Mikhail Gorbachev *is far more sympathetic* towards Hungary's economic reforms than the late Mr. Leonid Brezhnev. But Mr. Gorbachev could not tolerate the party's forfeiture of economic and political control which is urged by many Hungarian economists, journalists and writers.

In a bid to check Hungary's economic reversals, the party has announced a new 'socio-economic programme ' of austerity measures and economic reforms which are to be adopted this autumn. Understandably, Hungarians are less than enthusiastic about them. To sweeten their acceptance, the party says it wants to democratise public life further and allow citizens to 'participate ' in the decision-making process. *This is in the wake of* last year's decision to allow the election of company managers and to allow citizens to chose from more than one party -approved candidate during the 1985 elections.

In its attempt to gain popular support for the new austerity measures, the party has even taken to criticising neighbouring Romania openly, over the fate of the nearly 2m ethnic Hungarians in Romania who are allegedly subjected to massive discrimination.

This however is no longer enough to assuage the Hungarian leaderships' domestic critics (not to be confused with the active opposition which numbers only a few dozen members)

They argue that the economic *reforms* begun in 1968 to reduce the role of central planning and to increase company autonomy were designed to 'depoliticise'the economy, while maintaining strict party control)

The critics note that the political changes since 1956 -the opening of the borders for travel to the West, increased legal security *for* citizens and a freer flow of information - were never institutionalised . What is needed, they insist, is an institution to express the 'People's Will' instead of the narrow dialogue between the party leadership and its officials aimed at ' calculating ' the people's interest and not representing them.

The fact that such views were recently discussed in the Budapest economic weekly, Oetlet, shows how advanced Hungary is politically compared with most of Eastern Europe. But the leadership is still extremely sensitive about calls for political change from within the party. At local party meetings, members openly criticised the politbureau for not discussing the recent top personnel changes with them. Senior party functionaries though are determined not to allow a debate on grass-roots democratisation of the party's autocratic structure such as took place in Poland six years ago.

Nervousness, over pressure for radical reforms from within the party was also behind the recent ham-fisted attempt to close down the financial research institute, of the Ministry of Finance. It produced a programme, to liberalise Hungarian economic and political life which was drafted by top economists and social scientists, many of them party members. Eventually though an amended version of the proposals was published in an economic journal over the objections of party conservatives.

The leaderships' latest package of austerity and reform measures emerged only after a protacted debate within the Central Committee over the pace needed to overcome a deteriorating economy and to revive long dormant reforms. The main issue was how quickly to reduce debilitating company and consumer subsidies while lowering taxes on profitable firms reforming the archaic tax system and introducing wage differentials. The need to slash a spiralling budget deficit was less controversal.

Significantly, all these reforms, although set out as goals since 1968 were never carried out because of fear of the repercussions. While the 1968 reforms radically altered agriculture and the retail sector they left *industrial companies virtually* untouched.

"The word reform means nothing to company managers 'one Hungarian economics official remarked with characteristic frankness. ' What counts is whether they get orders from above or not.' They do, frequently via senior HSWP officials in their region who actively lobby the Politbureau to intervene in managerial affairs.

Essential restructuring of industry, the party now admits, is not going to take place unless the subsidising of loss-making companies with tax revenues from profitable ones is halted. These subsidies are to be cut by up to 25 per cent annually while taxes on profitable firms are to be sharply reduced. Although the loss-making companies are unlikely to be helped by Hungary's new profit-oriented commercial banks, it is feared that the Government may step in to rescue weak companies directly by classifying them as 'essential '

Several loss-making companies, for example, hint darkly that, without subsidies, they cannot produce the railway cars and machinery which are exported to the Soviet Union and *other Comecon countries in* return for vital energy and raw materials which in the absence of a convertible currency Hungary cannot buy in the West

Despite the much heralded 1986 law on bankruptcy, only three companies were actually liquidated in the first half of this year. The Hungarian Chamber of Commerce however forecasts a sharp rise in bankruptcy proceedings, if not liquidations, when the Government begins to withdraw subsidies on a large scale.

The man in the street meanwhile is far more worried about the effect of the planned value added tax and the new personal income tax for wage earners, especially on income earned from second and third jobs.

Wage earners see themselves at a particular disadvantage compared with private entrepreneurs who drive expensive Western cars and who, until now, manage to avoid paying more than nominal taxes. The Government however must be careful not to strangle the private initiative which has contributed greatly to the prosperity of the last 15 years.

Government statistics show that 16 per cent of national income (GNP)minus services, comes from private tradesmen, household farm plots and small *worker co-operatives which* lease equipment from state companies, Other estimates say one third of national income is derived from the non-state sector

Hungarian workers especially the 25 per cent on fixed incomes may easily be further embittered by the reforms next year when the consumer price index is set to rise by well over ten per cent (9.5 per cent this year) as a result of taxation and price increases.

Some workers also face the prospect of temporary unemployment as companies rationalise in response to reduced subsidies. Nearly half of the 4,000 workers from the Ozd steelworks who lost their jobs this year are being deployed elsewhere. But as a rule, labour is highly immobile.

Continued on page 4

Politics

Challenging the doctrine of gradualism

MR JANOS KADAR, Hungary's leader for thiry years, is facing his toughest leadership test since he assumed power in the dark days of November 1956.

It is one of the most bitter ironies of all that he now faces calls for many of the changes his predecessor, Mr Imre Nagy, tried to institute and died for. Influential sectors of the intelligensia and media are calling for widespread democratic reforms.

The changes sought are not superficial or cosmetic. Intelligent and brave men and women are seeking radical solutions to the country's economic crisis and they are coming up with social democratic remedies which challenge the long established doctrine of gradualism associated with Mr Kadar.

There are calls for a free press; an active and accountable Parliament; independent governmental institutions outside the day-to-day control of the Hungarian Socialist Workers' (Communist) Party; greater property rights; a re-evaluation of the country's trading relationship with Comecon and greater integration with the industrialised West - to name but a few.

Intriguingly, but not surprisingly, these calls are being made from within the Communist Party. As one party member said: "We have learned the lesson of Solidarity". That lesson was that no Communist Party *will* tolerate an institution outside itself which competes for political power. According to *this view, the Party's "leading* role", or domination of political life, is sacrosanct.

The understanding of this has lead many would be dissenters to join the party. It is now probably one of the broadest churches in the Communist congregation (encompassing barely reconstructed Stalinists at one *end and liberal social democrats* at the other) and is a matter of no small pride to those in its upper echelons.

The tensions this generates may well be acted out in this month's meeting of the Central Committee which is required to discuss the future of the party's "leading role" in Hungarian society, economy, and polity. More than ever, though, the conflict is present in the debates concerning economic reform - a very pressing issue which Mr Karoly Grosz, the Prime Minister, is expected to address openly in this month's three-day parliamentary session.

Mr Grosz, 56, faces one of his toughest *political challenges* to date. He is a member of the Politburo, but as Prime Minister, he has public responsibility for the economy. It is a measure of Hungarian politics (the reading of which is not unlike divination by the inspection of a goats entrails) that no one is quite certain whether he was given *the job to succeed or to fail.*

In Budapest, few observers are wholly confident that he has the mettle to attack the job with the necessary vigour. Mr Grosz is not noted for his reforming zeal, but more for his ambition.

He is an artful politician who clearly wants to succeed Mr Kadar as general secretary of the Party. *The hope amongst Hungarian* reformers is that Mr Grosz might decide that his best chance to secure the succession is by whole-heartedly embracing a reform platform.

In the wings is Mr Janos Berecz, 56, a member *of the* Politburo and a secretary of the central committee, who has no love *for* Mr Grosz (the antagonism is mutual) much less for economic and political reform. He *is* the central committee chairman of the party's agitation and propaganda committee, the man in charge of disseminating the *party's line to the faithful for* propagation amongst the unelect.

It was Mr Berecz who, earlier this year, intervened rather hamfistedly when the Writers' Union failed to elected a *majority of party members to its* governing council, and who, in May, was thought to be behind moves to close the Ministry *of* Finance's Institute of Financial Studies. This was after the institute collaborated in the writing of a radical pamphlet on economic and political reform.

Although there are few signs *of a mass opposition to the Party*, especially at an institutional level, the reform movement is well *organised*. When the Peoples' Patriotic Front - an organisation outside the formal structure of the Communist Party but staffed and led by Party members - produced its programme for reform of the Hungarian *economy called "Change and* Reform" it shocked the conservatives in the party.

This was partly due to the radicalism of the treatise's recommendations. Although the authors' analysis of the causes of Hungarian economic decline were widely understood, the solutions proposed were predicated *upon the creation of a civil* society, where the rule of law determines economic and social policy, not Party fiat.

Also, what worried the authorities was the declarative style of its writing (it is above all else a *manifesto* for change) and the fact that it was not just the product of one or two bright economists, but the consensus view of more than 100 leading economists and social scientists who occupy senior positions throughout Hungarian government, academia, and above all, the Party. It had the quality of a movement, and that is what Mr Berecz, and other like-minded party executives, feared and *disliked most.*

In another recent display of independence from Party orthodoxy, a group of 22 Hungarian journalists called on the Party to withdraw from involvement in the media. The 11 page "Proposal for Media Reform" argued that Hungarians were being fed false information concerning *the depth of the country's economic crisis.*

The journalists called for radical *changes to the operation of* the media. These included freedom of the press, non-interference by the Party, and the enactment of a civil law defining the limits of press freedom (that is, what *constitutes state secrets*) which would make the press answerable *only* to an elected Parliament.

The political strength of the "movement" remains to be tested. Perhaps this month's meeting of the central committee will provide a clue or guidance, but any realistic apprecic*ation of politics in Hungary* would necessarily lead to the conclusion that those with power will try to get the most economic reform for the least loss or compromise of their political power.

The foundation of Mr Kadar's reign - much more than crude repression - is a tacit compact *he has had with Hungarians* since the Soviet invasion in 1956. He has promised them, and mostly delivered, rising standards of living and a degree of personal liberty only dreamed of in other Eastern European countries. People in Hungary do not fear a knock at the door anymore.

Another constituent of this compact is gradualism, of change slowly through time. In this, Mr Kadar was aided by an atrophied leadership in the Kremlin. "Remember 1956" was a convenient break on those who wanted to move faster than Mr Kadar, for whatever reason, was prepared to do.

The price of this has been the acceptance of the hegemony of the Communist Party and a slavish adherence to the foreign policies of the Kremlin. And grudgingly people were prepared to accept it. They know *what life in the rest of Eastern* Europe is like.

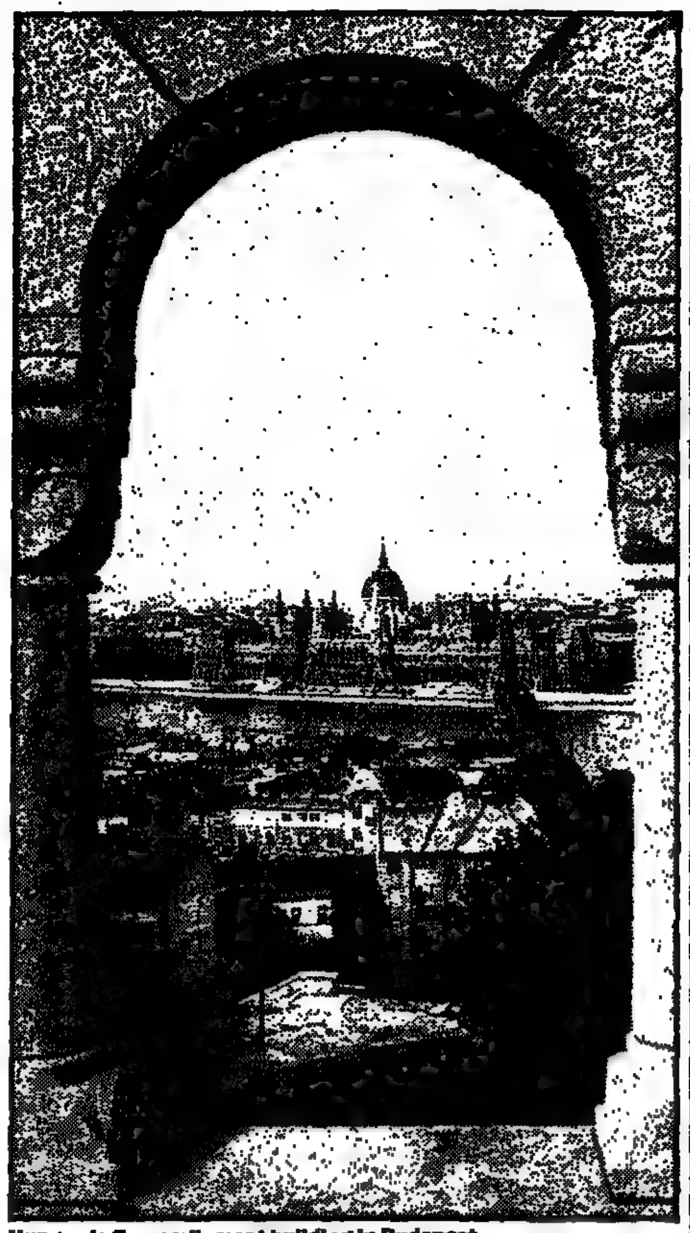
But time has run out; the age of gradualism is over. The Hungarian economy is in a shambles and in need of urgent economic, and some would say, comprehensive political reform. Besides, the leadership in Moscow has changed; *it is* younger and energetic and that makes it harder to play the *Moscow "card"*.

That some form of economic reform is in train is in no doubt. The banking system has been changed to encourage greater efficiency in credit allocation, and a reformed taxation system is due to begin next year.

The question remains, though, the extent to which the *Party will allow the growth of* political pluralism. The demands for this are strong within and without the Party, but it is a question of, above all else, power. If the Party is not everything then what is its claim to legitimacy?

Reformers openly admit this is a "contradiction", but still *conclude that greater political* freedom is the objective corollary of economic pluralism. In the light of Hungary's recent history since 1968 there might be more than a measure of wishful thinking here, but their view that the settlement of the country's economic ills requires more autonomy in economic decision-making, the creation of a parliament with real legislative authority in its own right, and the need for greater private property rights, is persuasive.

Simon Holberton



Hungary's fine parliament building in Budapest

Leslie Collitt profiles Hungary's new PM

A rare personality

Mr Karoly Grosz: a reputation as a doer

The new Prime Minister of Hungary, *Mr. Karoly Grosz,stands* out as a rare and colourful personality among the grey ranks of East European politicians.

The former printer and political officer in the post-war Hungarian army is a leading contender *to succeed 75 year-old* Mr Janos Kadar as Head of the Party. His record as Prime Minister,however, is likely to make or break his chances.

Mr Grosz,at 57,has developed a steely determination during a party career in which he was twice 'exiled'by the leadership to the Provinces.Each time he returned to Budapest with his reputation as a doer enhanced.

He will need toughness in order to slash subsidies to loss-making firms and to implement the rest of the new reforms and austerity measures which are to be adopted *this month*.As few other members of the Hungarian polit bureau he understands the corrosive relationship between the party's economics officials and the managers of Hungary's leading companies. whether *he* can turn *a deaf* ear to lobbyists seeking favours for Hungary's. inefficient companies will be crucial to the reforms.

As a former party secretary for Hungarian radio and tv in the 1960s,and head of the 'Agitation and Propaganda Department'of the Central Committee *in the late 1960s and 1970s*, Mr. Grosz understands and is able to use the media to his own advantage.His main rival for the top party post,a 57 year old Mr. Janos Berecz, as the Central Committee Secretary for Information, is headmaster of the of*ficial* media,He is also as unbending as Mr Grosz about the Party's commanding role in political and economic life.

But while Mr Berecz's *public* image is that if a rather dour ideologist Mr Grosz is animated *and remark*able outspoken.On his recent return *to* Budapest, from his first trip as Prime Minister to Moscow, where he conferred with Mr. *Mikhail* Gorbachev,Mr Grosz gave an unusual off the cuff interview to *Hungarian tv on the results of* the visit

Mr Grosz is in fact the closest thing Eastern Europe has to a populist.He has been highly critical of the stagnating reforms putting the blame fully on the leadership *which of* course included himself. But the criticism implied that Mr. Kadar was largely at fault, for failing to press forward with the reforms. On Hungarian tv last May.Mr Grosz also said public opinion had grown critical of the leadership because of declining living standards (which *he as Prime Minister will now* have to cut even further)and as a result of the'weakness'of the information the authorities were giving to the people. This was a direct body punch at Mr Berecz who is responsible for information policy.

Underscoring the complexity of the man Mr. Grosz added that *in the present economic climate* the 'voice of the opposition gains strength ' This was neither harmful nor hostile, he added, to the great surprise of many Hungarian interllectuals who regard both Mr. Grosz and Mr. Berecz with dismay. Mr. Grosz noted that the opposition's criticisms contained elements which were 'instructive, worth using, and to which a governing party *must pay attention.* '

Needless to say,senior members of the leadership in Eastern Europe normally do not utter such sympathetic sounding views about opposition .Neither do they admit,as Mr Grosz did last year, that he nearly left the Party after the 1956 uprising *when he was wrongly* accused by party officials of giving in to the insurgents

Despite such candour, knowledgeable Hungarian politicians claim the new Prime Minister is too demagogic to succed Mr Kadar .*At the same time, they also* rule out Mr Berecz whom they call a 'firm ideologist' who is unable to get across *his* message to the public.

Mr Grosz's dilemma is that, in order to succeed Mr Kadar, he will have to move faster on implementing the new reforms than Mr Kadar is likely to tolerate. But to do this he *must have* the backing of the ruling Hungarian politbureau and, equally important, Mr Gorbachev. Mr Kadar however has packed the politbureau with like-minded, elderly gradualists as well as younger men who owe their loyalty to him. Mr Berecz who was appointed to the Polit Bureau *only last June can be counted* upon to apply the breaks to any undue haste by Mr Grosz. As for Mr. Gorbachev,thus far he has refrained from interfering in the political leaderships of his East European allies and preferred to remain neutral.

Mr Kadar's recent promotion of Mr. Grosz to the Prime Ministership and Mr. Berecz to the Politbureau is in the tradition of Government and party reshuffles which Mr. Kadar has repeatedly used in order to deny a power base of any potential successor to him.

Something however has changed in Hungary in recent months.Hungarian officials who favour greater urgency on the reforms refer to Mr Kadar as a 'weary old man 'who has run out of ideas and is now isolated in the 'White House,' the central committee building overlooking the Danube.Although Mr Kadar's reputation *among ordinary* Hungarians remains intact,both his own party functionaries and Government officials speak of him as if there is no denying that the Emperor has no clothes.

Joint Ventures

More companies take the plunge

ECONOMICS OFFICIALS in Budapest have a vision of Hungary becoming so attractive to West*ern businesses that it will pull* in large amounts of capital into joint ventures with Hungarian companies.

However, when Western companies consider setting up a joint venture in Hungary - or any other Comecon country - they think first of gaining access to other Comecon markets. For *the foreseeable future at least* such prospects are dim.

Western companies investing in Hungary are unable to sell the products or services they produce in Hungary to other Comecon countries. The situation is not likely to change until the Soviet rouble becomes convertible within Comecon and until *realistic exchange rates are* established between Comecon currencies.

In the meanwhile, they have to make do with the Hungarian market of 10.6m consumers.

In the fifteen years since joint ventures have been legally feasible nearly 100 Western companies have taken the plunge and *joined forces* with a Hungarian partner. More joint ventures however have been set up in the last 15 months than in the previous 15 years. This is the result of new legislation providing for a maximum corporate tax of 40 per cent of gross profits, and 20 per cent in the first five years, for joint ventures in certain *key areas such as* electronics, hotel construction, and packaging technology. A five year tax holiday is also offered to individual companies Hungary is particularly anxious to attract.

Another improvement for Western companies is that the licensing of a joint venture has become a *one step procedure* and gaining foreign trade rights has been greatly simplified. The previous requirement that the Hungarian partner must hold a majority in the joint firm has also been eliminated. The main problems still encountered by Western companies are related to inadequate infrastructure, in particular over*burdened telephone lines to the* West.

On the other hand,joint ventures are a two-way business and, uptil now,their growth has also been inhibited by the *fact* that the Hungarian partners in any joint venture have been highly taxed, an anomoly which is due to be removed under the *proposed new tax reforms.*

West German companies are the most numerous partners in joint ventures, as befits Hungary's leading trading partner, followed by Austrian companies.

Among the West *Germans* are giants such as Siemans, BASF and Quelle but also smaller companies like Adidas and Schwarzkopf. One of the biggest joint ventures is with Standard Elektrik Lorenz, the West German subsidiary of ITT, which joined up last year with Skala-Co op, Hungary's aggressive re*tailer* and trading house, to form a company called Selectronik with a working capital of Dm 20m. *The Hungarian* company contributed 65 per cent in the form of buildings, services and cash while Sel provided production facilities, licences, technological know how and components to produce colour *TV sets* and *video recorders*. This year some 40,000 TV sets and 5,000 video recorders are to be produced, *mainly* for sale *in* Hungary. Sel, however, has committed itself to find Western markets for the output in coming years.so that the Hungarian government will not lose hard currency on importing *Western components.*

One of only two joint ventures with UK companies is Walton Computers (*whose parent company* is Walters International), set up in 1984 with Videoton which holds 51 percent. The joint venture produces matrix printers and printheads and has a working capital of Forints 25m *($500,000)*.

Mr Benedek Tallai, managing director of the joint venture, said he had a turnover last year *of Forints 90m (three times the* previous year), and profits of Forints 23m (Forints 500,000 in 1985). The company had a small surplus in hard currency, an important fact to the government as it shows it is not a drain on Western currencies. Walters re invested nearly all the earnings back into the joint venture com*pany. Mr Tallai wants to start* manufacturing in Hungary, instead of buying in components from Hungarian firms, in order to reduce the firm's taxes to zero.

He says UK companies are slow to form joint ventures in Hungary, largely because they take a shorter term view on profits than German and Austrian companies. From his experience though, the lifetime of Walters' products has been extended by being able to sell printers in Hungary which it could not have sold in the West.

Mr Tallai however does not believe that Hungary will be able to attract a great deal more Western *capital* into joint ventures until such tie-ups become more attractive for Hungary's *own companies; that is, until* the proposed new fiscal reforms are actually introduced.

To date,the *largest* Western joint venture is Citibank-Budapest which has a working capi*tal of Forints 1bn, 80 per cent of* which is in the hands of the US bank. Foreign ownership can go up to 99 per cent. Earlier this year a joint venture was set up with the Japanese biotechnology company Kyowo Hakko and the trading house Toyo Menka which took a 20 per cent share in a joint venture factory to produce *amino acids for animal* fodder. Another 15 per cent was taken by the International Finance Company, the subsidiary of the World Bank,and the remainder by Hajdusaj, the Hungarian agricultural co operative. Their joint firm has been capitalised at $18m but Hungarian sources say $45m will eventually be invested.

A breakthrough into Eastern Europe was achieved by McDonalds, the *American fast* food restauranteur, recently through an agreement with Hungary's most successful agricultural company, Babolna, which is to provide most of the raw materials.Under the joint venture,5 McDonalds 'eateries' are being opened in Budapest which, until now at least, has *been the culinary capital* of Eastern Europe.

Leslie Collitt

Foreign Trade

	1985	1986
balance of trade in hard currency	plus $303 million	minus $440 million
balance of payments in hard currency	minus $465 million	minus $1.4 billion

Hungary in 1986 transacted 49% of its foreign trade in hard currency (52.5% in 1985 when it still sold meat to the Soviet Union for dollars) and the remainder in transferable roubles with other members of Comecon. Its trade with China and Yugoslavia is transacted in hard currency.

Hungary's main trading partners

	% of total imports 1976	% of total imports 1986	% of total exports 1976	% of total exports 1986
Soviet Union	27.5	30.9	30.2	33.9
West Germany	9.6	12.4	8.0	8.4
East Germany	8.8	6.7	9.1	6.4
Austria	4.8	6.2	3.7	5.3
Czechoslovakia	6.4	5.2	7.5	5.9
Poland	4.4	4.7	4.4	4.2
Italy	4.0	2.7	4.0	3.2
Yugoslavia	1.7	2.7	2.7	3.1
U.S.A.	2.0	2.0	1.0	2.3
Switzerland & Liechtenstein	2.5	2.1	2.3	1.9
Romania	2.3	1.9	2.7	2.0
China	0.6	1.8	0.8	1.9
France	2.3	1.9	1.9	1.6
U.K.	2.0	1.8	1.3	1.3
Bulgaria	1.3	1.4	1.4	1.6
Netherlands	1.6	1.4	1.1	1.1
Japan	1.2	1.5	0.2	0.5
Belgium & Luxembourg	1.1	1.3	0.4	0.7
Sweden	1.4	1.1	1.1	0.8

Source: Foreign trade ministry and Hungarian central statistical office.

One of Hungary's most successful exports: wine maturing in cellars at Eger (Egri Medoc Noir on right and Riesling and Bull's Blood on left)

Foreign trade

Falling farm prices lift deficit

HUNGARY IS facing up to the harsh reality that, only when industry is radically restructured and managers are forced to compete for contracts abroad, will exports show a marked improvement.

The statistics tell a dismal tale. Hungary's share in world exports of industrial products fell from nearly 1 per cent in 1960 to 0.4 per cent in 1985. The shares of Hungarian made industrial goods in Comecon's industrial imports declined from 7.6 per cent to 4.1 per cent in the early 1980s because of the growing uncompetitiveness of Hungarian goods.

"External factors" have, no doubt, played a role in the growing hard currency trade deficits since 1985. Falling world prices for agricultural products directly hit Hungarian food exports while Third World markets for its goods dried up. To make matters worse, the Soviet Union stopped paying for Hungarian meat with dollars and now pays with energy deliveries. Only a few years ago, Hungary was earning $500m annually from hard currency exports to Moscow which covered the deficit in its trade with the West.

An 8 per cent devaluation of the forint and more frequent devaluations in the future are to make exporting more attractive for Hungarian companies. But the deterioration in Hungary's terms of trade is mainly the result of the low value-added content of its exports. Thus, 25.4 per cent of Hungary's exports for hard currency last year were semi-finished goods, 9.8 per cent raw materials, 6.4 per cent fuels and electric energy and only 13.6 per cent machinery and 15.6 per cent manufactured goods which included a large quantity of textiles, clothing and shoes. By comparison, the share of Hungarian machinery sold to other Comecon countries was 46 per cent of its total export to them.

While exports in dollars increased 21 per cent in the first six months of this year, imports in dollars rose 8 per cent. It is difficult to say how much of the gain in exports can be attributed to low interest credits and the competitive bidding system begun last year and how much is the result of greater exports of low value products. Agricultural exports at any rate, which make up one-third of the total, are not growing and there is little prospect for improvement in the next few years. Hungary wants to substitute imports from Comecon for Western imports wherever possible but is finding this difficult because of the inflexibility of Comecon's trading mechanism.

It had been hoped that giving more companies the right to conduct foreign trade would lead to more aggressive exporting. But in practice too many of the companies simply took existing exports away from each other without generating new business.

The high import propensity of the Hungarian economy will be difficult to reduce as many export industries such as clothing and shoes are largely dependent upon imports from the West of everything from machinery to raw materials. Establishing industries to meet these requirements will involve investments in resources which Hungary does not have at present. Its hopes are therefore pinned on joint ventures with Western companies which can supply capital and know-how.

Phasing out subsidies to inefficient producers and letting prices reflect real costs are supposed to make Hungarian companies turn their attention to foreign markets. In the short term, however, industrial restructuring may produce a J-curve effect in which exports would fall before rising according to Mr Tibor Antalpeter, director general of the Ministry of Foreign Trade—exports with a low value-added content would be eliminated, while new products, with a higher value-added content would not yet be produced.

Restructuring would also affect Hungary's trade with Comecon. If railway cars, for example, were no longer exported to the Soviet Union then Hungary would not get the equivalent import which is obtained for railway cars. This might well force Hungary to import the lacking product from the West and worsen its trade balance.

In the current year, Mr Antalpeter suggests the hard currency trade deficit will be less than last year's $440m but will not meet the target, which is to eliminate the deficit. A surplus is aimed for next year.

One way of expanding exports to financially strapped developing countries and to boost needed imports from the West without hard currency is to increase compensation trade. At present it amounts to about 8 per cent of Hungary's hard currency foreign trade which is less than the average share of compensation business in East-West trade.

Conflicts are inevitable because of the pressures to export whatever can be exported in order to stem the rise in foreign debt and the need to develop more sophisticated products to sell to the West. Low price exports of textiles and clothing, for example, are a considerable source of hard currency revenue but Hungary is engaged in cut-throat competition with the Third World in this lower end of the market. It would be more advantageous to concentrate on using Hungarian materials and designs, but also more difficult.

Nearly 40 per cent of Hungary's hard currency trade is conducted with the European Community so that Budapest has long been eager to reach a bilateral arrangement on trade and co-operation with the EC. Formal talks began with the European Commission last June on what Hungary can offer the EC in return for greater access to the Community for its goods. As a result of restrictions on Hungarian agricultural exports to EC countries the share of agricultural produce in Hungary's deliveries to the EC has fallen from 58 per cent in 1973 to 28 per cent at present.

The Community imported ECU 1.9bn worth of Hungarian goods last year, mainly agricultural and manufactured goods. It exported ECU 2.45bn in products to Hungary, mostly machinery, transport equipment and other manufactures. As the only Comecon country, apart from Bulgaria, which does not manufacture its own cars, Hungary should be a natural market for EC car-makers.

In fact, with hard currency very scarce, Hungary has a problem satisfying domestic demand for cars. Talks with Opel in West Germany, involving deliveries to General Motors of running gear produced by RABA engineering company in return for car deliveries from the GM subsidiary, failed earlier this year. To plug the gap, Hungary has arranged to import additional Ladas from the Soviet Union and recently signed a contract with Maruti of India under which the Maruti-Suzuki car will be imported from India in exchange for Hungarian instrument panels.

In an unusual three-legged deal last year, China ceded to Hungary 5,000 Polski Fiats it had contracted for in Poland. China, whose trade with Hungary doubled last year, is seen as one of its most important potential markets. Last year, a $25m contract was signed with the Chinese to supply 780 RABA heavy duty trucks. Under a trade agreement to 1990, Hungary is to deliver 5,000 trucks, 6,000 bus undercarriages, 850 long distance buses and parts worth SwFr 20m to China.

Leslie Colitt

Banking and finance

Big changes to foster efficiency

"FOR TOO LONG people have wanted to make Marx and Lenin into gods," says Mr Sandor Demjan, 44, the outspoken chairman and chief executive of the Hungarian Credit Bank (HCB), the biggest of Hungary's newly-created commercial banks.

Mr Demjan is more practical. If he quotes the ancients it is for guidance in the real world of credit allocation. As he points out it was Lenin who said "to all according to their work performance".

"We lend money to those companies which make money," he says. "If we consider they have good prospects for development, that they are competitive both at home and abroad, then we will do business with them. If not, we will put them into receivership."

This is the new voice of Hungarian banking and finance. Its expression has been made possible by a significant structural change to the country's banking system which came into effect on 1 January this year.

In a one-shot big bang, Hungary moved to modernise a banking system which, for the past 40 years, had remained largely unchanged, elephantine, and inefficient. Credit for industry was in the hands of the National Bank of Hungary (NBH) - an institution which performed this, along with all of the functions associated with a central bank - and a number of specialised and, by comparison, tiny industry banks. Longer- term finance for industry was also doled out by the State Development Bank (SDB).

(The household savings of the nation were gathered by the National Savings Bank and two cooperative banks. These institutions provide finance largely for the private housing market and for central government deficit financing, markets which are still to await liberalisation.)

In essence, the changes announced last year, and put into effect on 1 January, split the commercial banking activities of the NBH and some of the industrial financing work of the SDB into five separate operating companies. In so doing, they have created a commercial banking sector. This necessitated the creation of three new banks - HCB, the Commercial and Credit Bank, and the Budapest Bank - and the revamping of two other small banks founded in the 1950s - the Hungarian Foreign Trade Bank and the General Banking and Trust Company.

The effect of this is to create a two-tier banking system, with the NBH assuming the role of a central bank. It now acts as the bank of issue, the government's fiscal agent, and the government's agent in the application of monetary policy. It is also the bank which raises loans on the international capital markets, and liaises with the International Monetary Fund and the World Bank.

The rationale behind the changes to the banking system has been to foster greater efficiency in the allocation of credit, and, by making the commerical banks profit-responsive, make them a significant agent for structural change in the Hungarian economy. It has also been a significant step down the road towards monetisation of the Hungarian economy.

A number of other developments which occured earlier than this can also be included in the broad category of banking reform. These are the encouragement of foreign participation in the Hungarian banking system, and the creation of specialised banks for the ecouragement of new industrial development in the country.

In 1979, the Hungarian authorities permitted the creation of the Central European International Bank, which is 66 per cent foreign-owned. But this bank was permitted only to conduct foreign business. It took until last year for the authorities to recognise the benefits of greater participation in the domestic banking environment.

The authorities allowed Citibank, in December 1985, to own a majority stake (80 per cent) of a domestic bank, and also encouraged the formation of joint venture banks, such as Unicbank (founded in 1986 and 45 per cent foreign-owned), and the creation of banks with a special brief for the finance of new industries, such as the Technova Industrial Development Bank (founded in 1986).

On the commercial banking side, the NBH's commercial banking department was split unequally into five separate units. Corporate customers were awarded to the various banks, and, for the first six months of this year, no preditory competition was allowed. Since July, the banks have been able to compete for customers, and, in theory, jettison old ones or refuse new ones.

The biggest commercial bank by far is the HCB. Its client list of 2,200 customers accounts for about 50 per cent of Hungary's GDP - 60 per cent of the industrial sector, 30 per cent of the agroindustry sector, and 40 per cent of trade, transport and services. The other four banks have the rest of the market, and some have special functions, such as the Budapest Bank which has the prime responsibility for the operation of the bond market.

Hungarian bankers now speak the language of unreconstructed capitalists, and the authorities, specifically the Communist Party, seem to have given them the freedom to act on their instincts. One of the first decisions of Mr Demjan at HCB was close down a state run construction company in the city of Veszprem.

The company conerned had had its capital replenished in three of the first six years of this decade. "We felt it was better to lose some money now than lose a lot more in the future," Mr Demjan said. "Our policy is to get rid of the loss-making companies, and let them go bankrupt, and use of capital for more efficient companies."

"There were many polemics and discussions, but the law left it to us to decide. We didn't talk to the central committee of the Party; our board of directors decided it.

"Politicians supported us - they had passed the law - and the Ministry of Finance understood our position. In bureaucratic places we were fought, and the trade unions complained, but the decision was taken."

But while bankers in Budapest have clear ideas about asset management, on the liabilities side of the balance sheet the situation is a little more antiquated. The NBH operates a refinancing facility for banks on the basis of their capital base and attempts to control the growth in credit by placing restictions on the banks' access to this facility.

Money markets are in their infancy. At present there are fledgling inter-bank and inter-company markets, but they have barely developed. When Citibank commenced operations in early 1986 there were no interest bearing deposits shorter than six months.

One of the things it has taught Hungarian companies and other banks is the time value of money. "We introduced a new product to the market," says Mr Anthony Fekete, the bank's corporate banking head, with a laugh, "the three month interest bearing deposit."

According to Mr Fekete, companies and banks are now discovering that they can provide short-term loans to others and each other instead of depositing their surplus cash in non-interest bearing accounts. But there is a long way to go before the Hungarian banking system takes on much resemblance to its counterparts in the West.

Old habits also die hard, especially when there a few institional constraints. According to Hungarian economists and Western diplomats, ties to the Party are still important in the determination of credit allocation. A company peopled by senior executives with good political credentials will always be able to gain access to subsidied finance; while a bank with the same credentials will also be able to use its refinancing facility with the NBH.

Also finance is still very much tied to national aims. Predominant amongst these is the need to increase hard currency earning exports to the West. Echoing most senior executives in banking, Mr G I Pazmandi, the managing director of Technova, says: "naturally, companies which can export their production will be given preference; that is natural under the circumstances."

But the effects of competition between banks are beginning to percolate through the system. Companies have begun to shop around to see what financial services the banks now offer, and some enterprising banks, such as Unicbank, have begun to hold seminars in Budapest for companies to show them their wares.

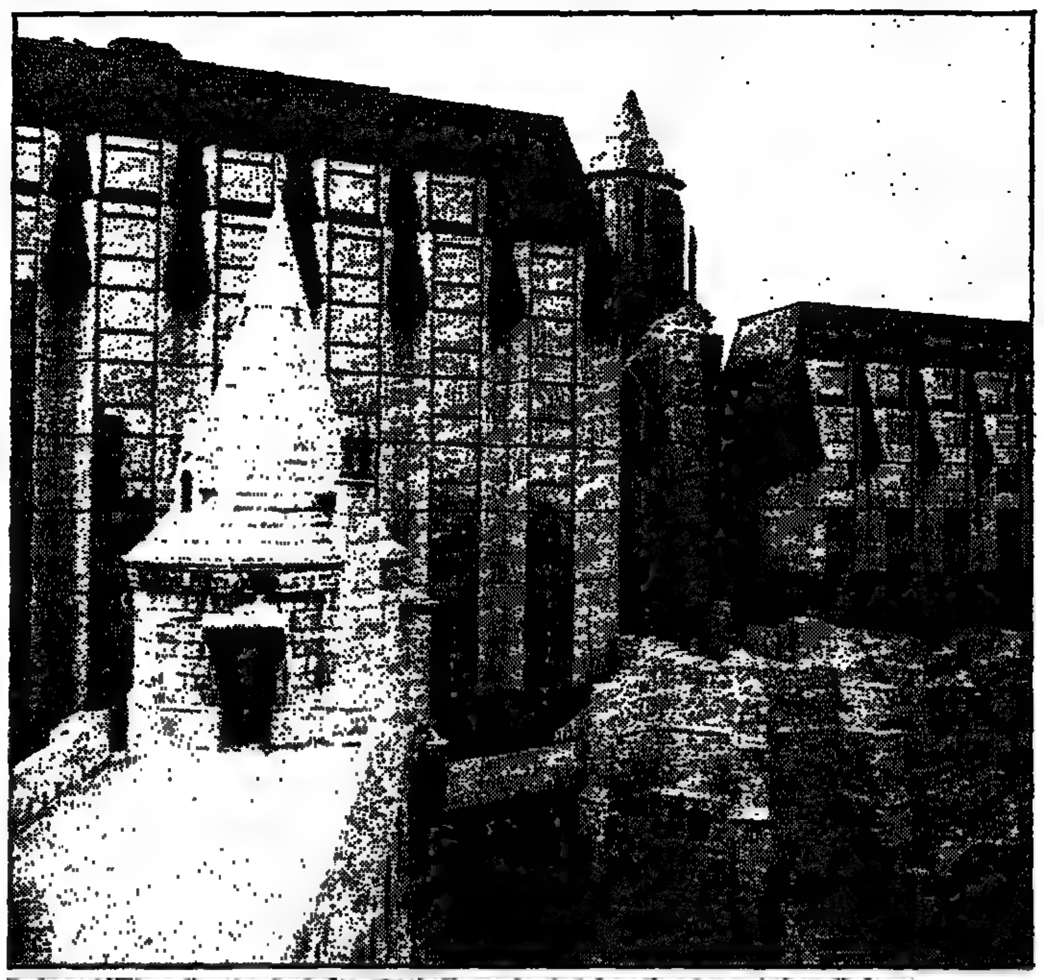
The introduction of foreign banks has begun to have an influence - aside from Citibank's influence in the market place, Unicbank's Austrian shareholder, Gennossenschaftliche Zentralbank AG, processes the banks customer accounts, thereby giving it a sophisticated data processing capability - and the Hungarian banks are looking to place some staff abroad for training in the ways of Western banking.

Foreign bankers and diplomats believe there is a lot of pent-up talent waiting to be let loose in the Hungarian financial community. At present it is being held back by formal and informal institutional restraints, the breaking down of which would require the NBH to achieve true institutional independence and being to behave like a real central bank, and for preferential treatment on the basis of Party connections to cease.

Simon Holberton

Tourism

Budapest shows a zest for living


Budapest Hilton - the standard of service in Hungarian hotels and restaurants is well above that in most East European countries and is often superior to that in the West

EVEN THOUGH Hungary is being inundated by tourists from East and West, it has the capacity to absorb them without suffering irreparable damage.

Hungary has always been a Central (not East) European crossroads and is used to foreign visitors. This is especially true of Budapest and nearby Lake Balaton where most tourists congregate.

Although they have a reputation of being a proud people, Hungarians are extremely adaptable and keen to please. The standard of service in Hungarian hotels and restaurants—despite years of Socialist neglect—is well above that in most East European countries and is often superior to that in the West.

Whether one stays at the de luxe Forum or Hilton hotels or the four-star Royal in Budapest, the staff is efficient and courteous. Similarly, in-flight service is excellent on Hungary's national airline, Malev, which flies only costly-to-operate Soviet aircraft. Instead of the bland food handed out by most airlines on inner-European routes, Malev manages to produce top quality cold dishes on even short hops.

Most first-time visitors to Budapest are taken aback by its sheer urbanity and its inhabitants' flair for life. The city's monumental buildings are a tribute to an era not so long ago when Hungary stretched from Poland to the Adriatic Sea. The capital retains a cosmopolitan feel which is heightened by the contrast with nearby stodgy Vienna.

This has a lot to do with the stylishness and trendiness of Budapesters which resembles that of the Italians. Women in Budapest may not have much to spend on their clothes but they look more chic than some of their Western sisters with many times the clothing budget.

In much the same way, Budapest is the joke-telling capital of Central and Eastern Europe, a well as being a city of marvellous rumours and plots.

As a result, it is not so much for the sights which one absolutely must see, though these are important, as for the atmosphere, that visitors come to the city. The best times are in the early spring or autumn, when the tourist tide has receded. Relax under the awning of the Dunacorso restaurant overlooking the Danube and Budapest will parade before you.

Hungary expects to receive more than 5m visitors from the West this year after 4.1m last year. The hard currency income from tourism was $364m in 1986 and, after deducting expenses and hard currency spent by Hungarians in the West, $200m was left. This represented 8 per cent of all hard currency earnings.

"We get a unit of hard currency 20 to 25 per cent cheaper from tourism than from exporting goods," notes Dr Jozsef Czegledi, the new general director of the Hungarian Tourist Board.

It is small wonder that Hungary—with few other growth sectors—is eager to expand tourist facilities. But it needs Western capital—either direct investments or joint ventures—to expand hotel capacity from the present 47,000 (17,000 in Budapest) to its target of 70,000. A previous Austrian loan of $300m was used to build the immensely profitable Forum Hotel, Budapest's new airport (unfortunately only Malev uses it), a Congress Hall in Budapest and to modernise border crossing facilities.

A joint venture with Danish and Austrian companies has built a resort village on the picturesque Tihany peninsula which is regarded as a model for the type of facilities the Hungarians want to expand. Another joint venture between Hungary's largest tour bus operator, Volanbusz, and Blaguss, an Austrian bus company, is to bring tourists from the West to reconstructed castles and thermal baths for which Hungary is noted.

Austrians represent the largest single group of Western visitors, 2.4m last year, of which 1.7m were day trippers who shop in border towns such as Sopron. Here they frequent the beauty parlours, dentists and eye doctors which are dirt cheap by Western standards.

However, the 742,000 West Germans who visited Hungary last year spent three times the number of nights as the Austrians. In the first half of this year, one-third more West Germans poured into Hungary. Now both countries are seeking to achieve visa-free travel for each other's citizens, such as between Hungary and Austria.

A good many Germans, and some Austrians as well as ethnic Hungarians visiting their native country, stay with relatives and friends in Hungary. Unlike other East European countries, Hungary does not require Westerners to exchange a fixed sum of hard currency per day into local forints. The Hungarian authorities correctly believe that such compulsory exchanges are bureaucratic and thus annoying to Westerners.

Hungary plans greatly to expand accommodation in pensions and homes—of which two-thirds are private—as well as camping sites. Private initiative in this sector is of prime importance, according to Mr Czegledi. It is also difficult to control and the authorities suspect that a great deal of the hard currency which Western guests pay for private rooms is neither taxed nor enters the Government's coffers.

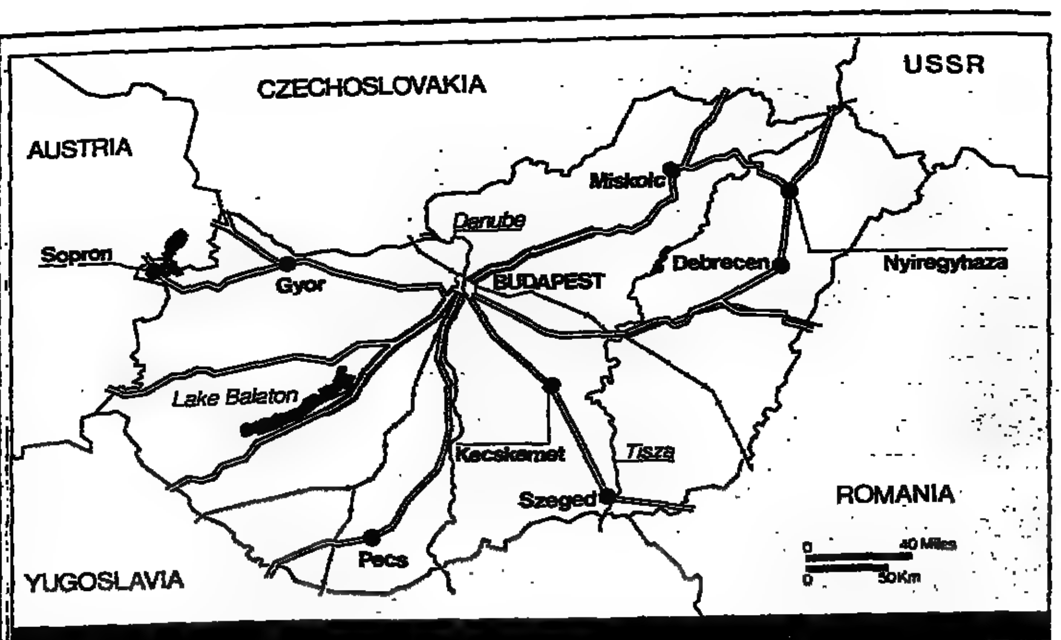
Most of the tourists entering Hungary are from Eastern Europe, three quarters of them Poles and Czechoslovaks. Many of the latter, however, are ethnic Hungarians from Slovakia as well as other shoppers who ignore commercial accommodation. Poles are the biggest group from the East and have been getting a rough time of it from Hungarian customs. They have been charged a fee in hard currency for the goods which many Poles bring into Hungary in order to sell.

The 1.3m East Germans who will visit Hungary this year are also able to afford little more than a camp site. Many live with Hungarian friends who, in return, stay with the East Germans when on holiday.

Of the 6.2m Hungarians who travelled abroad last year—60 per cent of the population—900,000 went to the West. Hungarians are entitled to purchase $350 every three years for a trip to the West but can also travel annually if they pay through a travel agency or if the trip is paid by a friend or relative in the West. In the latter case they can buy $60 worth of pocket money. Those who want to travel more often to the West can go to Yugoslavia.

Despite Hungary's serious economic problems, Dr Czegledi said he could not imagine the Government cutting back on the availability of hard currency for travel. The freedom to travel to the West is regarded by citizens as one of their foremost gains over the past 20 years.

Leslie Colitt



The nettles of reform

Continued from page 1

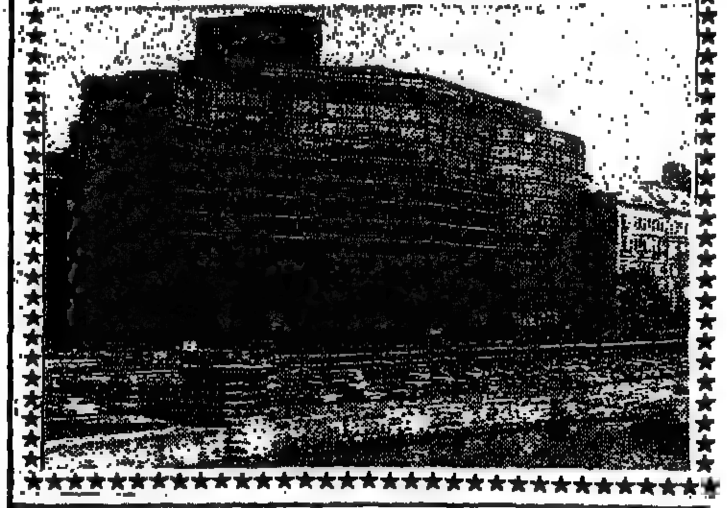
After decades of prevarication, Hungarian officials appear set on industrial restructuring and the introduction of all important wage differentials over the next few years. The principle of a guaranteed wage for every worker regardless of productivity led to a situation best summed up by an Hungarian joke: On a visit to a factory Mr Kadar asked at the front gate how many people worked in the plant 'About half of them' came to reply.

The pattern of Hungary's vital exports to the West reflected the low competitiveness of its manufactured goods. Raw materials, fuels and semi-finished goods dominated sales to Western countries in 1986 and this year. The drive to attract Western capital into investment-starved Hungarian industry by promoting joint ventures with Western companies showed some success over the past year. But most Western companies still regard Hungary as a place to unload low technology or utilise cheap labour.

Hard currency income from tourism was one of the few bright spots in the economy over the past two years but could not make up for the worsening terms of trade. Important agricultural sales to the EEC, Hungary's main Western market, stagnated in 1986 and did little better this year. The biggest dilemma however is that even if Mr Kadar and the new Prime Minister Mr. Karoly Grosz,are determined to carry out the reforms with the greatest urgency Hungary's anaemic economic health leaves them little room for manouvre

The nation's depressing balance of payments shortfall in 1986 of $1.4bn may prove difficult to redress substantially in the near future. Meanwhile, Hungary's net hard currency debt rose inexcerably to more than $9bn in the first half of the yezr. The austerity programme though stipulates a 'gradual stop 'in the external debt rise, whose servicing now costs 75 per cent of Hungary's hard currency exports. This however would mean continuing to export goods at any price, while curbing vital imports needed to restructure Hungarian industry.

Inside Hungary it is widely agreed that the greatest danger to the reforms could be the very centralism of the Government's approach which may become unavoidable to deal with the faltering economy —in short,a slide-back to the centrally-administered economy which the 1968 reforms set out to replace with one based upon independent, market-oriented companies.



Agriculture

Strategy switch to value-added

AT THE LARGE combine farm of Kornyei, near Gyor in north-west Hungary, farm administrators are looking to diversify beyond traditional farm produce to survive and earn much needed hard currency. The diversification planned is hardly the most glamorous in the agro-industry constellation, but it is tailored to the farm's strengths. It plans to enter fur hat manufacturer, and to compete internationally in the supply of specialised feed stocks.

Kornyei has grown rabbits since 1971. The fur is processed using West German equipment bought fifteen years ago from a nearby State farm which went bankrupt, and until now its fur has been exported, primarily to Japan, to be used in the manufacturer of hats. The fur amounts to only 15 per cent of the value of a hat, so, in the words of Mr Istvan Moszar, one of Kornyei's directors, the farm wants more of the profit.

The farm has also been a net internal exporter of feed stock. It plans to invest 300m forints (about $6.2m) in new equipment to boost production, mostly for export markets. Domestic banks will provide two-thirds of the capital and the farm one third. Three West European companies are tendering for the contract.

"What is expected of us in the current five-year plan is that we make money, and that's what's important. If we don't then it is bankruptcy," says Mr Moszar. "But it is not easy to be competitive and profitable in the market, many other state farms and co-operatives are active in it."

Both attempts at diversification are planned with Western markets clearly in mind. As Mr Moszar points out, there was no way Kornyei would have received permission to buy the foreign machinery necessary for the two projects if they were only going to be used to satisfy domestic demand.

Also both projects fit in the with Government's strategy of changing the profile of Hungary's exports away from unprocessed raw materials to exports of higher finish and value added. Agricultural trade accounts for about 25 per cent of Hungary's hard currency earnings in any one year, and that position has to maintained at least, and at best improved. The country needs foreign currency like a thirsty man water.

Agriculture is one of the success stories of Hungary. It was the first sector of the economy to feel the winds of liberalisation associated with the largely benign rule of Mr Janos Kadar, the general secretary of the Hungarian Socialist Workers' (Communist) Party. The liberalisation, which includes the encouragement of private land ownership and cultivation, had made Hungary one of Europe's most efficient agricultural producers.

But the problem for Hungary is that it is an efficient agriculture producer in an age when efficiency has become irrelevant. Record agricultural surpluses in the EC, the US, Canada and Australia, mean that the outlook for commodities such as meat and grain is very poor. The prospect of aggressive sales from EC stockpiles of meat, grain, butter, cheese and wine to the Soviet Union or the Third World bodes ill for the Hungarian economy.

"We've lost most on the world market," says Dr Imre Fekete, a counsellor to the Minister of Agriculture, "and this is mainly due to the EC." Hungary is also fighting for market share at a time when prices have come under heavy downward pressure.

According to official figures, Hungary was selling pork for $1,186 a tonne in 1980, while in 1985 the price had fallen to $647 a tonne. The same it true for beef ($1,341 in 1980 compared with $707 in 1985), lamb ($1,712 a tonne in 1980, compared with $1312 a tonne in 1985), and poultry ($1,212 a tonne in 1980, compared with $797 in 1985).

Hungary faces other problems. Not only are the markets of Western Europe and the US closing to outside producers, thereby putting a structural break on growth and revenue, but the Hungary's other markets, principally, but not exclusively, those in North Africa and the Middle East which are aligned to Moscow, are becoming less reliable.

From 1980 until 1984 hard currency export earnings from the "developing" countries nearly doubled from $134.1m to $212.9m. But in 1986, export earnings were below 1980 levels at $115.7m. "There is demand in these countries for our goods," says Dr Fekete, "but they can't pay."

So, like many export-dependant agricultural producing countries, Hungary is producing more and earning less. Last year its hard currency agricultural terms of trade fell 11 per cent, and this year does not look encouraging. The terms of trade for Hungary's total hard currency trade weakened by 7 per cent last year and are forecasts to decline by about 6 per cent this year.

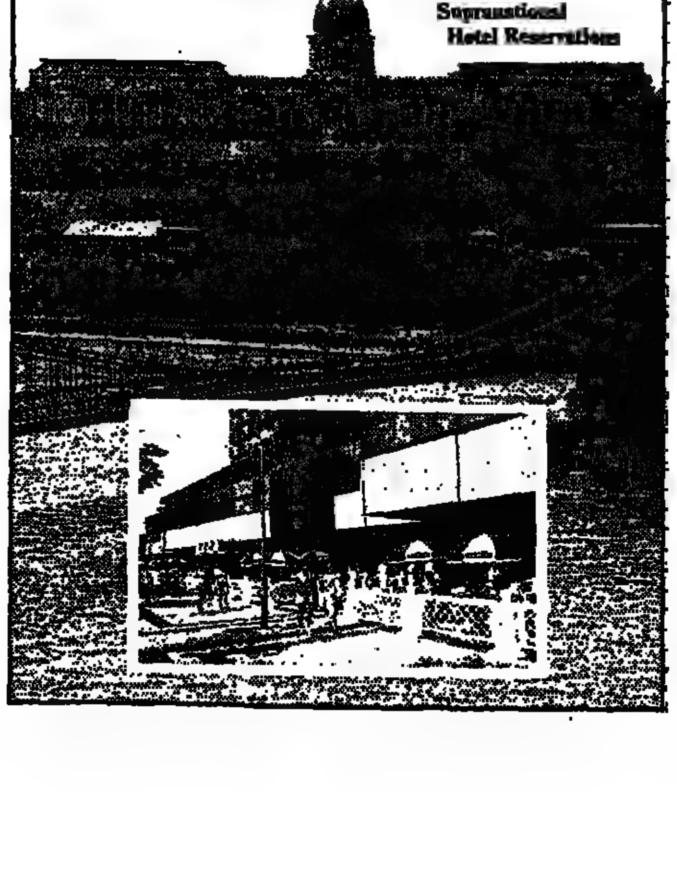
This gloomy prospect is also clouded by successive poor years for the agricultural economy. Due to unfavourable weather conditions and the Chernobyl disaster the agricultural economy failed to achieve its 1984 level of production in 1985 and last year. US government forecasts believe that it will not regain 1984 levels in the foreseeable future.

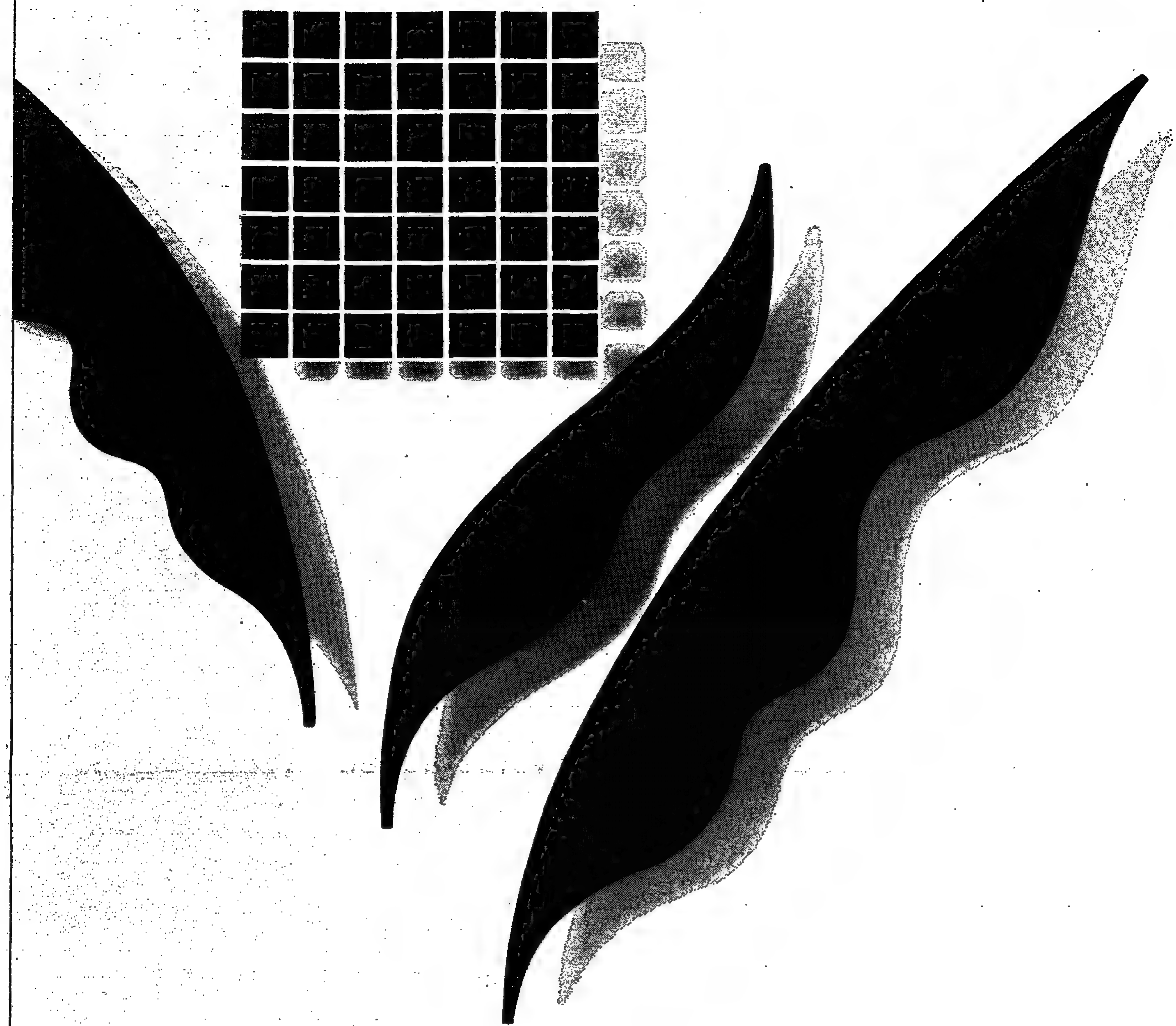
Certainly, this year's output is more than likely to bear out that pessimistic prediction. An unusually severe winter was responsible for poor winter cereals crops, spring frosts caused widespread damage to fruit, while drought in summer, compounded by hail, badly affected wheat, maize, beets and grape production.The country's premier wine producing district of Tokaj had 80 per cent of its vines damaged - 20 per cent so badly that they will have to be cut out - and it will be years before the area returns to recent production levels.

The Government has initiated relief programmes intended to deal with about $260m of accumulated farm debt, and, in particular, the losses associated with the 1985 drought. This year's weather-associated calamities can only be expected to exacerbate the already parlous state of the farm economy.

But, the authorities hope that the new strategy of encouraging the development of agro-industry, like those at Kornyie, which has a higher level of value added will help ameliorate the current structural weaknesses in its agricultural trade.

Simon Holberton





THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
18	19	20	21	22	23	24

Exhibitions

LONDON

The Tate Gallery. *Turner in the new* Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further *19,000 or so watercol*ours and drawings, has been a source of controversy and dissension ever since it came into the na*tion's hands more than 130 years* ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he *would have approved of James Stir*ling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too *low for one who lived in a more os*tentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

WEST GERMANY

Kassel: Museum Fridericanum Orangerie: Documenta 8 'World exhibition of contemporary arts': paintings sculptures, theatre performances, architecture and design. The Docu*menta was founded in 1955 by local* painter Arnold Bode with Henry Moore, Alexander Calder, Max Ernst and Joan Miro and is an im*portant venue for modern art.* This year director Manfred Schneckenburger presents the works of 150 artists, and for the first time open *air sculptures which will be erected* in Kassel's city centre. Artists exhibiting include Ian Hamilton Finlay, Javier Mariscal, Robert Morris, Mark Tansey, Alexander Melamid, Eric Fischl, Leon Golub, Robert Longo and Joseph Beuys. There is also a separate exhibition 'The Ideal Museum' *where 12 architects pres*ent their ideas for Museum construction. Ends Sept 20.

Hildesheim, Roemer- und Pelizaeus-Museum, Am Steine 1-2. Egypt's rise to a World Power: More than 300 pieces loaned by 20 museums in Europe, Africa and America – the *first presentation of the most impor*tant 150 years 1550-1400 BC of the New Empire in Egypt. The bust of Pharaoh Thutmosis III, discovered *in 1907 without a face, can be seen* complete in Hildesheim. The face, found in Egypt only 20 years ago, was loaned by a Cairo Museum. An*other highlight is a reconstruction* of the 3000 year old burial chamber of Sennefer, the former mayor of antique Thebes. Clothes, household *appliances*, tools, cosmetics and jewellery illustrate the everyday life of Egyptian citizens. Ends Nov 29.

ITALY

Venice: Ala Napoleonica and Museo Correr: 'Matisse and Italy': over 250 works by one of *most poetic of 20th* century French Painters. The exhibition includes paintings, drawings, and Matisse's entire output of sculpture (75 pieces in all), lent by private and public collections in France and America, and the Musée Matisse in Nice. Pierre Schneider, the organizer, has attempted to show how the works of Italian painters such as Mantegna, Pollaiolo, Giorgione and Veronese may have influenced Matisse. Until October 18.

Rome: Palazzo Braschi: Painter-Photographers in Rome: 1845–1870: The term Painter-Photographer was used almost up to 1970 to describe the early photographers, even if they had never painted. An absorbing collection of documentary photographs of Rome, including a collection by the English archeologist, John Henry Parker, and some striking portraits, all from the archives of the Rome Comune. Ends Sept 27.

Venice: Palazzo Grassi: Jean Tinguely: 1954–1987: The jokey mechanical sculpture of Swiss artist Jean Tinguely. A gentler, but still mis*chievous, version of Salvador Dali,* Tinguely describes some of his incredible moving sculptures (all built from refuse iron and steel) as "machines a sentiments," and the complexity and sheer improbability of his works communicate a touching "joie de vivre." Over 300 works are *on show*, lent by American and European museums, with photographs of his first Self-Destructing Sculpture. Homage to New York, which *duly self-destructed* in the gardens of the Museum of Modern Art in New York in 1960. Ends Oct 18.

NEW YORK

IBM Gallery: Post Modern Architectural Visions includes an international array *of designers including* Michael Graves, Hans Hollein, and Adolfo Natalini with 200 drawings and models of work from 1960 to 1985, originally organised by Williams College and Deutsches Architekturmuseum in Frankfurt. Ends Nov 7. 56th & Madison (407 6100).

CHICAGO

Art Institute: Walker Evans photographs of the 1930s showing poverty and despair in the American South were famous in their time in Life Magazine and preserved in James Agee's moving book, Let Us Now Praise Famous Men. This exhibit is a reminder at a time of renewed despair in the American heartland of the scope and depth of Evans' work originally done for the Farm Security Administration. Ends Nov 8.

WASHINGTON

National Gallery: A Century of Modern Sculpture, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

Hirschhorn Museum: One of the Chicago contemporary primitivists whose repeated scenes make evocative images has his first major east coast retrospective with *49* paintings and four painted constructions. Ends Oct. 18.

TOKYO

Chinese Paintings and Ceramics of the 18th-20th century: 144 paintings and 33 ceramics comprise this important exhibition from the Yang He-Tang collection in Taipei. The paintings include traditional-style watercolours of landscapes, birds, flowers and portraits. Especially interesting are works by literati painters with their political overtones – orchid/bamboo/rock or pine/bamboo/plum compositions symbolising difficulties in a harsh political climate. Works of China's two most important modern painters, Ch'i Pai-Shih (1863-1957) and Fu Pao-Shih (1904-1965), are included. The ceramics, mostly Ch'ien-Lung, a ware synonymous with excellence, were made for the Imperial family. Idemitsu Museum, Hibiya, near main hotels and Ginza. Ends Sept 27.

Modern Japanese Paintings of Yasushi Sugiyama. 120 works of one of Japan's foremost contemporary artists. From Nihonga (19th century, Western-influenced Japanese painting) to abstract futuristic themes, he is one of Japan's most prolific artists. National Museum of Modern Art, near Takebashi Station, off Imperial Moat. Ends Sept 27.

Music

LONDON

Alban Berg Quartet: Beethoven and Berg. Queen Elizabeth Hall (Tue). (928 3191).

Academy of St. Martin-in-the-Fields: directed by Iona Brown. Bach, Haydn, Stravinsky and Mozart. Queen Elizabeth Hall (Wed).

London Philharmonic conducted by Sir Georg Solti with Alfred Brendel, piano. Brahms and Tchaikovsky. Royal Festival Hall (Thur). (928 3191).

London Classical Players: Beethoven series conducted by Roger Norrington with Melvyn Tan, fortepiano. Queen Elizabeth Hall (Thur).

PARIS

La Maurache, Burgundy's Vocal Ensemble conducted by Jacques Echivard: Cancionero de Uppsala (Mon, 8.30 pm). Saint-Severin Church.

Wladimir Mikulka, guitar: One hour with Bach (Tue, 7 pm). Auditorium des Halles, Porte St. Eustache.

Emilia Fadini, harpsichord: Frescobaldi, Froberger, Couperin (Wed, 7 pm). Auditorium des Halles.

Orchestre National de Lille, Regional Choir Nord-Pas-de-Calais conducted by Jean-Claude Casadesus, Margaret Marshall, soprano, F.B. Duchable, piano: Chabrier, Ravel, Xenakis, Poulenc (Thur, 8.30 pm). Salle Pleyel.

All the above are part of the Paris Festival Estival (4804 9801).

Paul Kuentz orchestra: Mozart (Tue, 9 pm). Saint-Severin Church (4563 7955).

NEW YORK

Merkin Hall (Goodman House): Kurt Weill Festival. St. Luke's Chamber Ensemble. David Atherton conducting, Faith Esham soprano, William Parker baritone, William Huckaby piano. All-Weill programme (Thur). 67th w of Broadway (362 8719).

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostropovich conducting, Gary Hoffman 'cello, *David Evitts* baritone, William Neil organ with Oratorio Society of Washington directed by Robert Shafer. Carter, Piston, Copland, W. Schuman (Thur). Kennedy Center (254 3776).

Handel Festival Orchestra (Terrace): Evelyn Elsing 'cello. *Handel, Man*ret, Schwartz, Haydn (Thur). Kennedy Center (254 9895).

TOKYO

Osaka Philharmonic Orchestra, conducted by Takashi Asahina with Yoko Kubo, *violin. All-Beethoven* programme. Hitomi Memorial Hall, Showa Women's College, Sangenjaya (Mon). (573 3588).

Mozart Chamber Orchestra. All-Mozart programme. Ishibashi Memorial Hall (Tue). (780 5400).

Traditional Japanese Music: Tokyo University of Arts and Music Graduate Ensemble Koto Performance. Works include Eight Views of Omi, *Autumn in Saga, Ode of Endless* Sorrow. Dai Ichi Seimei Hall, Hibiya (Mon). (216 3810).

Stradivarius and Cremona

The City of Cremona is not allowing the 250th anniversary of its most famous son's death to go unnoticed. In five rooms of the Palazzo Communale – carefully controlled for temperature and humidity – the English violinmaker Charles Beare has organised an exhibition of 45 of the 500 or so surviving instruments made by Antonio Stradivarius, in collaboration with Italian Architect Gae Aulenti. The instruments, mostly violins, but with a handful of violas and cellos, a mandolin and a harp, have been lent by museums and private collectors.

This coincides with the fifth Cremona Music Festival: 12 concerts at which distinguished performers will play Stradivarius instruments, ending on September 28 with a performance of Brahm's violin concerto (with Salvatore Accardo) conducted by Carlo Maria Giulini.

There will be a two-day conference at the beginning of October and smaller exhibitions of contemporary documents and music scores. A film of the life of Stradivarius is being made by Giacomo Battiato (starring Anthony Quinn), and the Ferrovie Dello Stato has good news for commuters from Milan: a special train will be provided after each concert during the festival to take them the 90-odd kilometres home.

JENNIFER GREGO

Theatre

LONDON

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's pro*duction of King Lear, Hopkins,* a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the ro*mance in Leroux's 1911 novel.* Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

The Balcony *(Barbican): Sadly dated* and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, *certainly in London, is stretched* way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and the actors, a *dull lot*, clump around on high boots in big bulging costumes. (628 8795).

Follies (Shaftesbury): Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque re-union in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. *All good.* (379 5399).

Melon (Haymarket): Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal mutterings, not vintage Gray. (930 9832).

Continued on Page 19

THE ARTS

Cinema/Nigel Andrews

Kubrick's killing theme

Full Metal Jacket directed by Stanley Kubrick

Hellraiser directed by Clive Barker

Business as Usual directed by Lezli-An Barrett

Outrageous Fortune directed by Arthur Hiller

The gestation period of a Stanley Kubrick film is one of the wonders of the world. Every half-decade or so, the director of movies such as *2001*, *Dr Strangelove* and *The Shining* delivers himself of another long-awaited offspring grown in a womb of secrecy and painstaking perfectionism. With each new film, though, it is becoming less clear quite why the baby has to spend so long being incubated: if indeed the baby is at all distinguishable from most of those delivered after more normal pregnancies.

Full Metal Jacket, based on Gustav Hasford's short novel about marine training and Vietnam baptism *The Short Timers*, reaches the screen after a mammoth shooting schedule — variously estimated at between six and ten months — and an even longer period of preparation and deliberation. A film's production history should normally have nothing to do with a verdict on its achievement. But how else to define *Full Metal Jacket's* impact — or lack thereof — except to say that it feels like a movie that has been hatching so long it has forgotten quite why it was conceived.

The theme is killing, and the different creeds and motivations that surround or shape man's impulse to kill his fellow man. The opening 45 minutes push us through "boot camp," as a squad of marines on South Carolina's Parris Island are screamed and square-bashed into military shape by a foul-mouthed gunnery sergeant (played by real ex-army sergeant Lee Ermey). After a brief and tragic hiccup in this process—one victimised trainee raises his gun against authority and fires—we are then tossed out into Vietnam. Here the story's young observer-hero (Matthew Modine) trudges through the half-ruined cityscapes, where sex is for sale and lives are for barter, or betrayal, until the film gathers itself for its action climax. In this, the squad he has joined is marooned in a maelstrom of burning buildings and brutally ambushed by a lone Vietnamese sniper.

These scenes have a hellfire intensity that suggest what Kubrick may have been aiming for in the film as a whole. Two cornered soldiers are surgically maimed by the sniper's bullets, which here snap an arm or leg, there riddle a stomach, as the victim's shock is registered as slowly and horribly as if we were watching an action replay. Kubrick rhymes, by implication, this physical decimation of a human personality with the psychological "breaking down" process of marine training witnessed earlier. But there are two problems. A lot of sluggish narrative water has flowed between the two sequences. (The introductory Vietnam scenes are dismayingly lifeless). And the early Boot Camp training spree and yell-athon—though sprinkled with wonderfully neanderthal lines from the sergeant ("You're so ugly you could be a modern art masterpiece")—still seems like a rerun of any you're-in-the-army-now movie from *From Here to Eternity* to *An Officer and a Gentleman*.

Full Metal Jacket—the title refers to a "humane" bullet casing which limits the spread of damage on entering the body — sets out to fulminate against the folly and hypocrisy of the limited kill, against the absurdity of a "controlled" military response, against the whole deceitful apparatus of claiming war as a science (or a humanity). But the film itself seems limited, controlled and scientific. It is as if a white-hot subject has been left to cool too long in the laboratory, or as if a potentially explosive theme has been encased in a damage-limiting jacket of distance and deliberation.

*

These are defects of which *Hellraiser* could not be accused. This fresh-hewn chunk of gothic nastiness was scripted and directed by British horror writer Clive Barker. What to do, it asks, when your dead lover is a restless pile of bones under the floorboards clamouring for reincarnation? Just such a problem faces Clare Higgins as the fortyish married heroine, when she and her American husband (Andrew Robinson) move into a new house, which turns out not to be new to her. Soon the thing under the floor is gorily reassembling itself and Miss Higgins is nervously egging it on. She is given to understand that a few freshly slain male corpses will do wonders in refreshing the parts that other reincarnation methods do not reach.

Hellraiser carries on in this vein with exuberant inventiveness and few gaps between frissons. Scenes in abattoir gothic style are varied with moments of more gourmet menace: though I never did quite understand what all those scenes featuring mystic oriental cubes and jangling chairs were about. Miss Higgins, however, with her adamantine cheekbones and hieratic hairstyle, is the most severely memorable murderess in recent cinema.

*

Lezli-An Barrett's debut feature *Business As Usual* has a formidable heroine. Glenda Jackson is the Liverpool clothes shop salesperson who accuses her boss of sexually harassing her colleague Cathy Tyon. Sacked for her impudence, Miss Jackson is seen stomping about outside the shop. Her husband, ex-union boss John Thaw, takes a dim view: "A jumped-up shop girl and you think you are God Almighty."

The film is decently acted and efficiently scripted. But it also tends to run about with political placards around its neck, and dubious ones at that. Pugnacious and programmatic it gives the impression that it could turn at any moment into a PPB on behalf of the lunatic left, dragging Miss Jackson's career as an actress rudely along with it.

*

Outrageous Fortune rounds out a trio of films this week in which women take command as central characters. The gospel of feminism must at last have fallen into the in-tray at the Hollywood production offices. In this would-be screwball comedy Bette Midler and Shelley Long — one plump, strident and ribald, the other blonde, prim and fluting — discover they have been jilted by the same man (Peter Coyote). They promptly turn amorous rivalry into vengeful solidarity and chase him all across America. (It turns out he is an ex-CIA operative who has stolen a deadly virus from a germ warfare lab.)

The script is desperately whacky, except on the few occasions when it slows down enough to be passably witty; as when Miss Long gasps at her first sight of Miss Midler's flat assuming it has been ransacked. "No, it always looks like this," says Midler. Elsewhere, as directed by Arthur Heller, the film is a frantic caper substituting energy for invention, and snatching its title from the "To be or not to be" speech like a thief hoping to improve himself by plundering a piece of the true artistic cross.

Scene from "Full Metal Jacket"

Clive Russell and Harriet Walter

A Question of Geography

Michael Coveney

A Question of Geography by John Berger and Nella Bielski is an initially trying but finally rewarding new play presented by the RSC in The Other Place, Stratford-upon-Avon. This is the Chekhovian dimension to Solzhenitsyn's Gulag reportage, placing the general outrages of Stalinist purges in the exact domestic milieu of an East Siberian labour camp in 1952, several months before Stalin's death.

The capital of the Gulag is Magadan, where Harriet Walter as the imprisoned Dacha, offender of Article 58, is expecting to see her student son. A "58" prisoner could have done anything. We never know what in Dacha's case, but love is listed as a crime for such enemies of the people. The poet Blok is quoted—"Of Russia's monstrous years we are the offspring" — and we see Dacha wrestling with the future of her Leningrad son Sacha (Linus Roache), the voice of her "disappeared" husband (John Carlisle, silkily poetic on tape) and the present support affection of Ernst (Clive Russell) a fellow Zone prisoner who is a doctor and therefore entitled to visit town in the afternoons.

John Caird's production is almost fatally slow to get going, allowing the authors the full indulgence of their rather over-elaborate stage indications and pauses. Magadan, in fact, very nearly turns into a Mogodon. Lines like "How could we know that studying Hegel could lead to six millimetres of pointed steel in the back of your neck?" do not help. But the slow build-up pays dividends in allowing us into the lives of these people, listening to their tales of loss and political sensory deprivation before we see a reformed family triptych —symbolically represented in a smuggled memento from the Hermitage — brutally smashed in the second half.

Miss Walter, burning on a slow fuse, floods the play with a grave and sentient beauty in spite of the handicap of an all too visible wig join. Visitors to the enmeshed corral all bear with them the vivid marks of persecution, and all are vividly played: Jimmy Gerdner is a jolly reprobate who waltzes through the musical imposition of dialectical materialism on "Auld Lang Syne"; Mark Dignam an outlawed violinist with eloquent stories of "the beginning behind the hill"; Susan Colvard a blinking textile factory worker; Sonia Ritter a young woman newly torn from her beloved.

A new wave of arrests is imminent and the old butcher's arteries are reported to be thickening — with the blood of others. This is a tale of how people lived together — still live together — this century on the say-so of criminal tyrants and bureaucracies. With a half-hour speed-up and an elimination of spurious portentousness that infects great stretches of the evening from scene-changes to letter-reading—the curtains blow and lights dim whenever the past comes up—this will be a not so pastoral tragical comical history lesson for our times. And, incidentally, a vast improvement on Mr Berger's previous self-important foray into the theatre.

Royal Opera House appoints new director

The Royal Opera House has announced that Paul Findlay, currently Assistant Director, has been appointed Opera Director in succession to Mrs Eva Wagner-Pasquier. He will be responsible for the artistic, managerial and financial control of the Royal Opera, reporting to the General Director of the Royal Opera House.

The post of Assistant Director is to be abolished, with those responsibilities taken over by the Chief Executives of the three companies, The Royal Opera, The Royal Ballet and Sadler's Wells Royal Ballet.

Mr Findlay joined the Royal Opera House in 1968 and has been Assistant Director since 1975.

Die Fledermaus/Grand Theatre, Swansea

Rodney Milnes

"Not another *Fledermaus*" is perhaps the unspoken thought of both reader and writer, but the new production with which the Welsh National Opera has opened its 1987-88 season is emphatically not just another *Fledermaus*. It is at once one of the wittiest and most aware stagings of the work it has been my good fortune to encounter.

Praise first to Gyorgy Fischer and the WNO Orchestra: there is a freshness to the performance that can perhaps only come from players who have not been bashing through the score thrice weekly for decades (in fact the work has been out of the company's repertoire for 14 years). Mr Fischer's reading is notable for slyly understated nuance and mercifully free from the laboured application of *rubato* that can afflict even the best conductors when faced with *Fledermaus*, not to mention the worst. The orchesetra really plays right through the phrases, firmly and buoyantly, textures are admirably clean, and the music sounds as fresh and joyous as the day it was written.

The triumph of the West German director Helmut Polixa, making his UK debut, is to have contrived an essentially didactic production yet ensured that it remains dazzlingly funny. The characters of *Fledermaus*, in the words of the excellent programme-note writer, inhabit "the shady, grey world of petit bourgeois aspirations . . . racing with relentless logic from one lie to the next." Hypocrisy is the name of the game: Alfred and Rosalinde are down to their undies by the time Governor Frank enters Kathrin Kegler's ultra-chic, timeless first-act set (polar bear rug and white boudoir grand), and there is no doubt as to the purpose of Orlovsky's party (in an expressionist winter garden with giant scatter cushions), so much so that after the group foreplay of "Duidu" it's something of a mercy that the curtain descends when it does.

Most important, thanks to Mr Polixa's extra-sharp direction of the dialogue, no one shows the slightest sign of knowing that they are funny, the secret of good farce-playing from Feydeau to Ben Travers. Only in the last act, with Frank's merry pantomime and a ghastly joke-wig for Dr Blind, does the iron control of mood falter. That, and the oddly sour characterisation of Adele (the Laughing Song is for her a moment of acute social embarrassment, though Andrea Bolton sings it beautifully), are the only questionable elements in a presentation that balances challenge and entertainment with extraordinary adroitness.

The cast serves Mr Polixa loyally. Suzanne Murphy's absent mindedly voluptuous Rosalinde, strongly sung and crisply enunciated, is a brilliant comic creation; Laurence Dale's seedy little terrier of an Eisenstein, Hitler cowlick and all, is rather a courageuos assumption for a *jeune premier* tenor; Peter Bronder (Alfred) made us want to hear him in all tenor roles he gave us extracts from in prison; Deborah Stuart-Robert's androgynous Orlovsky, Donald Adams's hideously jovial Frank and Henry Newman's Schnitzlerian Falke all hit the mark. Perhaps a Frosch of Sebastian Shaw's distinction deserved some better lines, but his definition of opera as "purveyor of cheap thrills to old ladies of both sexes" struck home. Arguable, but this particular old lady enjoyed himself hugely.

Andrea Bolton

Saito Kinen Orchestra/Barbican

Max Loppert

The truly splendid Japanese orchestra that gave its first London concert on Wednesday is not really a constituted orchestra at all, but a temporary collection of Japanese soloists. They are currently touring Europe (with the sponsorship of NEC, among other Japanese firms) under the title of Philharmonic Soloists of Japan, though their alternative one—Saito Kinen Orchestra—tells more about their history and purpose.

Hideo Saito (1902-74), the founder in 1948 of the famous Toho Gakuen music school of Tokyo, was, we are told almost single-handedly responsible for the post-war flourishing of western music in that city. His school has produced an extraordinarily rich crop of fine musicians—Seiji Ozawa, who conducted most of last night's concert, was one of its first-year pupils, and many of today's most successful Japanese string players started their education there.

The orchestra, which has gathered its ex-Toho Gakuen students from all across the globe, and which on Wednesday included such distinguished soloists as Yuzuko Horigome and Tomotada Soh among the violins and Nobuko Imai at the head of the violas, is by its very nature bound to remain a sometime thing; the pupils first performed together, in their master's memory, in 1984, and after their current tour will probably not do so again until the early 1990s.

These are, therefore, soloists in one sense — but by their belief in the purpose for which they were first assembled, and by the tremendous sense of unity that marked every bar of these London performances, they are capable of forming a real — and in many respects really first-rate-orchestra. One expects well-trained Japanese string players to work precisely together in ensemble, but the tonal unanimity, decisiveness, and absolute commitment of the string playing were nevertheless wholly remarkable; and the other orchestral departments, though less startling in corporate excellence, certainly maintained the general standard. (There was no explanation for the presence of the Berlin Phil's superb Karl Leister at the head of the clarinets.)

In Strauss's *Till Eulenspiegel*, conducted by Kazuyoshi Akiyama (another Toho Gakuen pupil who has became a prominent conductor), the firmness of the phrasing was even a little fierce—it was pleasant to hear the piece done entirely without archness, but a little airy comedy would not have come amiss. Ozawa took over for the Mozart string Divertimento, K136, similarly a little heavy and insistent, lacking in *galanterie* but thrilling as sound. Then under Ozawa the concert achieved after the interval an unforgettable Brahms First Symphony: one of those performances, rare enough in any city or from any orchestra, of heart, soul, and glorious fullness of sound, that rose to fiery grandeur in the finale, all sense of dread routine or over-familiarity blown away. Given the nature of this orchestra, it was in all senses an occasional performance; it fully suggested what an inspired pedagogue Hideo Saito must have been.

Wand/Albert Hall

Dominic Gill

The last concert I heard the BBC Symphony Orchestra play under Günter Wand earlier this year was a concert of rare distinction. Wednesday's Prom with the same orchestra and conductor was not of quite the same elevated stature: but how keenly none the less, without fail, the BBCSO respond to Wand's direction — and what enthusiasm they convey in their performance!

The programme opened with what was not by any means a technically flawless account of Stravinsky's *Firebird* suite (the third and final version of 1945) — there was some splendid ensemble playing in some of the trickest measures, and some ragged moments too; the brass was enthusiastic, but not always reliable. But the music came across with such life, and such a wealth of unstoppable energy, that such occasional roughnesses mattered hardly at all. The best moments were very fine: a luscious Dance of the Princesses, glossy early-Stravinskian velvet; a wickedly glinting Infernal Dance.

It is commonplace that conductors tend to slower tempi as they grow older. Perhaps Wand is the exception to prove the rule — for if anything his tempi have become brisker with the passing years. He took the opening movement of Schubert's Great C major symphony at a cracking allegro, strong, flexible, never breathless, but urgent enough to permit no hint of maestoso in the climaxes. That was certainly the intention: I've remarked before that careful understatement, and the absolutely precise, uninflated placing of climaxes, are as integral to Wand's methodology as stick-waving bombas is to the general conducting stock-in-trade. Wand lets a Schubert climax swell proudly enough; but he will never indulge it to bursting point.

It was characteristic too that under Wand's baton the huge slow movement was solemn but unlaboured, and the scherzo had a fierce and wholly unsentimental edge to its gracefulness. I loved his reading of the finale, even though I don't remember ever hearing the music either played or sound so fast: a brilliant, jubilant headlong flight, sustained with Promethean energy from first to last.

Arts Week

Continued from Page 18

Serious Money (Wyndham's): Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good. (836 3028, CC 379 6565).

A Small Family Business (Olivier): Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale, Ayckbourn's own production is led majestically by Michael Gambon. Best of the NT rest remains King Lear and Antony and Cleopatra in the Olivier, A View From the Bridge in the Cottesloe. The new Brian Friel adaptation of Turgenev's Fathers and Sons is decent but dull in the Lyttelton. (928 2252).

Three Men on a Horse (Vaudeville): George Abbott's sprightly gambling comedy has transferred from the National. Geoffrey Hutchings in the lead now joined by Toyah Wilcox (836 9987).

NETHERLANDS

Amsterdam, Stadsschouwburg. The English Speaking Theatre of Amsterdam in Barrie Keeffe's trilogy Barbarians directed by David Swatling (all week except Sun and Mon). (242311).

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221-1211).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Les Misérables (Broadway): Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis): Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters; but it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

Cabaret (Opera House): Hal Prince again directs Joel Grey as the seductive master of ceremonies in a Broadway-bound revival of the evocative musical of Berlin life in the 1930s. Ends Oct. 3. Kennedy Center (254 3770).

TOKYO

Les Misérables. After London and New York, now Tokyo and the Japanese version of the Tony-award winning musical. The cast was handpicked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "ecole" and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's Les Misérables is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (201 7777).

Opera and Ballet

NEW YORK

New York City Opera: The week features Tosca, with Elizabeth Holleque in the title role conducted by Alessandro Siciliani in Frank Corso's production, along with La Traviata and La Bohemè. Lincoln Center (870 5570).

Trisha Brown Company (City Center): Carmen, in a collaboration with Lina Wertmuller, and American premiere of Newark in collaboration with Donald Judd are featured in the mixed programme of contemporary dance. 55th e. of 7th Av. (581 7907).

TOKYO

Antonio Gades Dance Troupe: Blood Wedding, Flamenco Suite, Carmen. Shinjuku Bunka Center (Thur). (235 1861).

A Village Romeo & Juliet/Berne

Andrew Clark

The new Berne production of *A Village Romeo and Juliet* is the fourth German-language staging of this problematical opera in the past six years: not a bad turn of fortune for a work which had its premiere in Berlin 80 years ago and has managed only four British productions since Beecham's performances at Covent Garden in 1920. This sudden continental rediscovery of Delius (with *Fennimore and Gerda* also due for revival in North Germany later in the season) has less to do with a reassessment of his peculiar style, than with the revival of interest in the forgotten and often discredited late Romantics, currently being indulged by opera theatres in the German-speaking world.

It was certainly the romantic element in text and score that the Berne City Theatre harnessed so freshly in this gripping and provocative staging. *Romeo und Julia auf dem Dorfe*, as it is known in German after the novella by the Swiss author Gottfried Keller, came across here as a credible tale of adolescence in a narrow country community, its flowering, isolation and tragic apotheosis. In collaboration with Roderick Brydon, who drew from the orchestra a naturally-paced account of subtle dramatic colouring, the producer, Gian Gianotti, played up the poetic realism, stripping the stage of pretty operatic conventions and drawing vivid acting performances from a young and agile cast.

Gianotti always opted for the simplest solutions — a wise choice in this opera — thereby maximising the power of suggestion in the mind of the audience. Instead of using stage decorations, the designer, Paolo Bernardi, created space and atmosphere by projecting a constantly evolving tapestry of light and colour on a vast semicircular backdrop. The lengthy musical interludes were used equally creatively to knit the drama from one scene to the next, enhancing rather than detracting from the musico-dramatic impact of the score.

In short, the seamless integrity of this production illuminated virtues in Delius' elusive art which not even the much-praised Mackerras-Drese staging at Zurich achieved. Where the Berne production faltered was in the quality of solo singing (the chorus was excellent). Brydon did all he could to make the voices heard above the orchestra, and the care devoted to phrasing, both in the voices and orchestra, paid dividends. But the young Yugoslav baritone engaged for the Dark Fiddler was a shadow of what was required. The Vrenchen, Barbara Fuchs, sang sweetly, and the unbridled magnetism of her relationship with John Janssen's Sali made some amends for his imperfect vocal control.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Friday September 11 1987

Brazil places a marker

The debt crisis is the grumbling appendix of the world economy. Far from being a critical condition, however, it is a chronic complaint whose periodic flare-ups are treated with short term palliatives in the gloomy expectation that such palliatives will shortly be required again.

It was the merit of the proposals of Brazil's Finance Minister, Mr Bresser Pereira, that in the case of his country, at least, he proposed a swift operation. Their drawback was that they came from the wrong source, at the wrong time and in the wrong form. The reaction from Mr James Baker, the American Treasury Secretary, and the commercial banks can have left Mr Bresser Periera in no doubt on these salient points.

Interest payment

Nevertheless, the decision to make the proposal, followed by its prompt withdrawal, may have done Brazil little harm, especially with the IMF and World Bank annual meetings coming up in just over two weeks. The minister has simultaneously succeeeded in putting the notion of an explicit write-down of the debt into the heads of his country's creditors, while showing his flexibility in withdrawing it under pressure.

The market value of Brazilian commercial debt is now some 55 per cent of face value, the size of the discount partly reflecting the long interruption in interest payments. The Brazilian proposal was to convert half of the debt to the commercial banks into long-term, low-interest bonds, the coupon on which would have gone some, but not all the way, towards recognising current market values. Not surprisingly, the proposal has followed upon the heels of the general provisions against Third World debt made by many commercial banks.

To accept such a fait accompli just before the meetings of the World Bank and IMF would seem wrong.

Furthermore, any major change in the treatment of Brazil, the largest of all the debtors, can hardly be isolated from consideration of other indebted countries. Yesterday's announcement by President Alfonsin of Argentina's intention to freeze interest payments makes only too clear both the pressure that is building up and the dangers of over-nasty concessions in any one case. Brazil can play a valuable catalytic role, but should not be permitted on her own to determine how the whole problem of developing-country indebtedness is to be handled.

The most serious objection concerns the danger of rewarding Brazil for her own mismanagement. Brazil's debt is now trading so far below face value in large measure because of decisions taken by Brazil herself. The effort made to generate trade surpluses has been an impressive one, but other aspects of economic management over the past few years have been lamentable: the Cruzado Plan has turned out to be a textbook example of how not to carry out a currency reform; the public sector remains bloated, with its finances still under inadequate control: Brazil trade policies remain both protectionist and economically inefficient; and, last but not least, Brazil has unilaterally determined to withhold payment of interest.

Private Sources

In these circumstances Brazil's proposals inevitably remind one of the child who, having murdered his parents, throws himself on the mercy of the court as a poor orphan.

Despite these objections, Mr Bresser Pereira has raised some important questions, to which the creditors and especially the governments of the major countries need to find answers. The world economy looks no more likely than five years ago to produce the conditions for a revival of large-scale, voluntary net lending to the developing countries from private sources. The need to engage in frequent renegotiation of the terms of refinance still poisons relations between the developed and many developing countries. Whatever the accounting niceties, the economic distinction between the writing-down of debt, as proposed by Mr Bresser Pereira, and lending a country the money with which to pay oneself the interest is far from evident. The time has surely come to find a long-term cure for the complaint.

A new deal for rented housing

THE British Government's promised White Paper on housing, which is due in a few weeks' time, will do well if it fleshes out the details of election promises and even better if it manages to offer a broad outline of the necessary reforms of all aspects of housing, public and private, rented and owner-occupied. The principal obstacle in the way of either objective is that no serious reform can be achieved without running the risk of a sharp, possibly permanent, increase in the level of public expenditure.

This has given rise to some concern in the Treasury, particularly in the area of deregulation of private rentals. If all tenancies were to be deregulated at once there might be a sufficient change in supply to keep rents down to reasonable levels following a period of adjustment. But no political party could fight an election on the basis of taking away existing protections, and the Government is unlikely to contemplate the removal of controls over current tenancies.

Deprived areas

Under the legislation that is likely to be outlined in the White Paper, landlords will in future be able to charge economic rents and make a reasonable return on their capital. It will be possible to evict tenants at the end of the lease. This market liberalisation will, however, apply only to new tenancies. The clear danger is that a larger number of private tenants will qualify for housing subsidies, at rents arrived at in the full knowledge that the state will foot the bill.

The Cabinet faces much the same dilemma in its proposed strategy for transferring control over Britain's huge public housing estates from elected local authorities to private landlords and self-appointed housing associations. There will also be an initial set of showpiece Housing Action Trusts which the Government will charge with the task of promoting and in part paying for better housing in deprived areas. All this is sensible enough, particularly in areas where the local council has manifestly failed to be a good landlord.

Yet here again the means of paying for what is certainly an imaginative policy is unclear. Private landlords are unlikely to find sufficient takers at a decent rental to account for many of the 6m homes still owned by local authorities and, where they do, subsidies to tenants will probably increase. The Housing Corporation, which oversees the housing associations, is experimenting with a scheme that adds £30 of taxpayer's money to every £70 of money raised privately for new housing schemes. This is working, but officials are saying it would work a great deal better if the subsidy was set at 50 per cent. And Housing Action Trusts will not be able to function at all, let alone act as showpiece, unless they are provided with a substantial amount of up-front money.

Public expenditure

It is because of this dilemma that the new Housing Minister, Mr William Waldegrave, has addressed himself in a recent speech to the definition of subsidy. Should every area of the country be subsidised equally? If the answer is no, what about the generally agreed desirability of maintaining some sort of social mix in specific areas? Can housing associations become a conduit for the provision of social rent support in a manner that keeps the level much the same everywhere? Mr Waldegrave quite rightly wants to shift the payment of subsidy from specific buildings to specific individuals, thus assisted tenants would pay rents that accouned for a decent level of maintenance of the housing stock. Here again—which individuals? It is a matter for debate whether taxpayers in general should finance the formation of new households as a result of new social trends, such as the greater propensity for young people to leave their parents' homes.

On the other side of the balance sheet, and beyond Mr Waldegrave's jurisdiction, there remains the tax relief on up to £30,000 of an owner-occupier's mortgage. Mrs Thatcher is committed to maintaining this; it is, nevertheless an addition to public expenditure that, once removed, might help finance some of the reforms now being contemplated. Failure to tackle this subsidy, and the existing constraints on the supply of building land in areas of high housing demand, serve to inflate the prices bid by owner occupiers. This represents the opportunity lost of providing houses for rent. A rational housing policy cannot be restricted to the rented sector.

Hong Kong may have the political jitters but, says **David Dodwell**, the colony's powerful neighbour is helping to fuel dramatic economic growth

A boom made in China

"THE ECONOMY is obviously a little bit overheated at the moment, but it will probably correct itself," said Piers Jacobs, Hong Kong's Financial Secretary, last week, in the hearty vein of a Saturday afternoon sailor wandering into a typhoon.

In similar cavalier style, the Government has just admitted an error in its calculation of economic growth last year. Or rather, it has yet to admit the error, but has released statistics that show real growth in gross domestic product in 1986 of 11 per cent.

For the past five months, since Mr Jacobs' budget speech, the people of Hong Kong had thought economic growth was 8.7 per cent. How the Government managed to make such an error has yet to be explained.

The undisputable fact, however, is that Hong Kong's economy is enjoying an upsurge the like of which has not been seen for a decade. Exports in the first seven months of the year were some 40 per cent ahead of exports for the equivalent period of 1986, companies are reporting improvements in half year profits of anything up to 80 per cent, and order books are full enough to keep the growth going for at least the rest of the year.

The result has been a rise in inflation—consumer prices last month were up about 6 per cent on August last year—and the territory's worst ever labour shortage. Unemployment is recorded at only about 1.8 per cent.

It has also caused confusion among foreign investors and Hong Kong's trading partners, who have been told repeatedly over the past three years that Hong Kong is a "jittery city," creeping nervously closer to 1997 when Peking will regain sovereignty after almost 150 years of British colonial rule.

The contradiction is more apparent than real. There is still ample evidence of nerves about the future and there appear to be good reasons why these nerves should have played a part in fuelling the hectic growth.

The first reason might well be called the making-hay-while-the-sun-shines factor. "Most local manufacturers would say there are two 'fortune' cycles between now and 1997," says one bank economist. "No matter how gloomy a manufacturer may be about 1997, he knows he would be a fool not to capitalise on at least one of them."

Mr Allen Lee, a legislative councillor and head of an electronics company, is well aware of political nervousness around him. "But business must continue," he insists. "There are very few who are actually pulling out, but there are plenty who are accumulating what they need to get an insurance policy somewhere."

A second reason, and perhaps the most potent, is the Government's determined adherence to an exchange rate link with the US dollar. This was introduced late in 1983 when a bout of politically induced hysteria over 1997 threw the exchange rate into a spin. The dollar link has been kept in pace ever since on the grounds that it critically underpins local confidence in the future.

As the US currency has fallen in value against currencies worldwide, so the Hong Kong dollar has fallen with it, giving local manufacturers an invaluable fillip in their efforts to export to Europe and Japan. In the first half of 1987 alone, the Hong Kong unit fell by 8.2 per cent against the yen, 6.1 per cent against the D-mark and 8.6 per cent against sterling.

An additional bonus has been US success in forcing the Taiwanese, South Korean and Singaporean Governments to revalue their currencies against the US unit. This has given Hong Kong companies a price advantage against their fiercest competitors, both in the critically important US market and worldwide.

The result has been a 42 per cent leap in domestic exports to West Germany, up from HK$ 4.57bn (£352.9m) in the first half of 1986 to $HK 6.5bn this year. Exports to the UK have risen 28 per cent (from HK$ 4.2bn to HK$ 5.4bn) and there has been a 71 per cent rise in exports to the notoriously difficult Japanese market (up from HK$ 2.4bn to HK$ 4.1bn).

These increases came after similar export growth in 1985 and 1986 and would in normal circumstances have been expected long ago to generate signs of serious overheating of the economy.

Hong Kong, however, is not growing in normal circumstances: the abnormal factor is China.

The inflationary pressures and labour shortages that would have merged long ago in other countries experiencing similar growth have been ameliorated by what the Hong Kong Government calls the "outward processing trade" with China.

Inflation has been suppressed by the fact that most toy and electronics manufacturers and a large number of textile and garment companies have turned to the Guangdong hinterland — a 150-mile stretch of river delta running north from Hong Kong to Canton — to tap cheap supplies of labour that have kept production costs down.

This explains much of the apparent growth in trade between Hong Kong and China over the past two years. Exports to China in the first half of 1987 were HK$ 12.4bn — an increase of 69 per cent on the HK$ 7.3bn figure to June 30 last year.

Most ofthe increase was made up of electronic components or semi-manufactured goods, which are assembled in Guangdong and then sent back to Hong Kong as finished gods. Not surprisingly, China's exports to Hong Kong have grown by similar proportions.

Raymond Hung's applied electronics, which makes a wide range of computerised toys, is not untypical in employing 5,000 workers in different factories in the Pearl River detla, and only 200 in Hong Kong. Materials are supplied to his Chinese factories and finished products returned to Hong Kong. Staff there concentrate on design, quality control and marketing.

A city like Dongguan, two hours' drive from Hong Kong's land border with China, has about 1,600 factories either processing for Hong Kong companies or in co-operative ventures with them. Hong Kong production accounts for an estimated 150,000 jobs in a city of 1.2m.

Similar penetration of the Guangdong economy has occured in cities like Foshan, Zhongshan, Panyu, Shunde, Jiangmen and Taishan, with officials in Guangzhou, the provincial capital, estimating that about 10,000 factories and no less than 1m workers are employed in production in Hong Kong.

With Hong Kong's own manufacturing labour force put at only just over 1m, this means that half the territory's manufacturing workforce is now inside China.

For Hong Kong manufacturers facing 1997, the Chinese option has many attractions. Not only does it keep wage costs down, but it has enabled them to win favour with Chinese officials, who have welcomed the investment and the job creation. Such goodwill could provide vital insulation if the political mood in China chills after the transfer of sovereignty.

The development has also allowed Hong Kong manufacturers to avoid heavy investment in labour saving machinery—investment that would long since have been essential if they had had only the Hong Kong labour force to draw on.

"For a factory boss worried about 1997, the last thing he wants to do, if he can avoid it, is commit large sums of money to new equipment," one industrialist says. "Better to add 10 more workers, who can be laid off if the political mood turns ugly, than to be saddled with expensive machinery that can't be moved anywhere."

An exception has been Hong Kong's large knitwear industry, which has been forced by US country-of-origin legislation to turn its back on outward processing in Guangdong. Thus it is the knitwear manufacturers who have been most forcefully hit as the labour shortage has begun to bite.

The Hong Kong Federation of Industries claimed last week in a letter to Mr David Ford, head of the territory's Civil Service, that textile and clothing industries were short of 80,000 workers. Worst hit were cotton spinning and weaving factories where shortages had forced up monthly salaries by about 25 per cent over the year to the end of March 1987.

Disputing government arguments that the shortage ought to provide impetus for technological upgrading and that higher wages were not unacceptable, given the massive profits growth recorded by most companies, the federation has called for radical measures to tackle the labour supply problem.

Its favoured option is for the Government to allow the recruitment of workers from overseas, from south-east Asia, or perhaps China, on a basis similar to the current recruitment of maids from the Philippines. The second is the setting up of an industrial zone on the border with China, with workers from the mainland being bussed into the zone daily, or for one of the existing industrial zones to be expanded on similar terms.

Finally, the federation points to the possibility of allowing Vietnamese refugees, about 8,000 of whom are currently held in closed camps in Hong Kong, to join the workforce.

All these options have been cold-shouldered by the Government, not least because it is skilled and not unskilled workers that are in shortest supply and these cannot be imported easily from any country in the region.

A senior government economist says: "Apart from the immense practical difficulties attached to all these suggestions, we think this is going to be a short-term problem and we should not be looking at long-term solutions that lock us into investments that we might not want to afford in the long term."

It was the conviction that the problem was a short-term one—and that the growth surge would naturally run out of steam once labour and other infrastructural constraints began to exert themselves — that prompted Piers Jacobs in April to predict economic growth this year of around 6.2 per cent.

Officials now admit they understand the extent to which local manufacturers could exploit mainland China to sustain their impressive export plans.

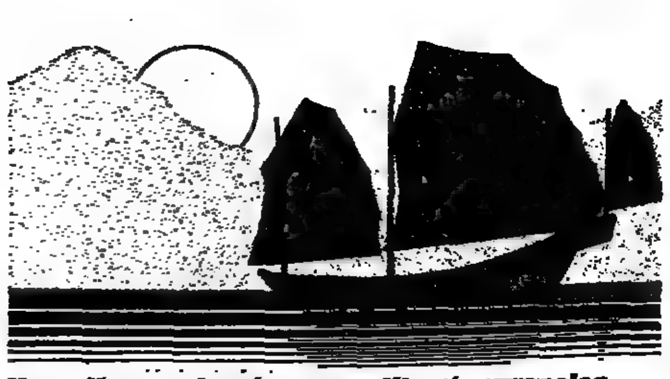
"We were expecting the squeeze to start showing at the beginning of the year, but it didn't happen," says a government economist. "It has to slow down sometime and who knows how many times we are going to get it wrong before we get it right."

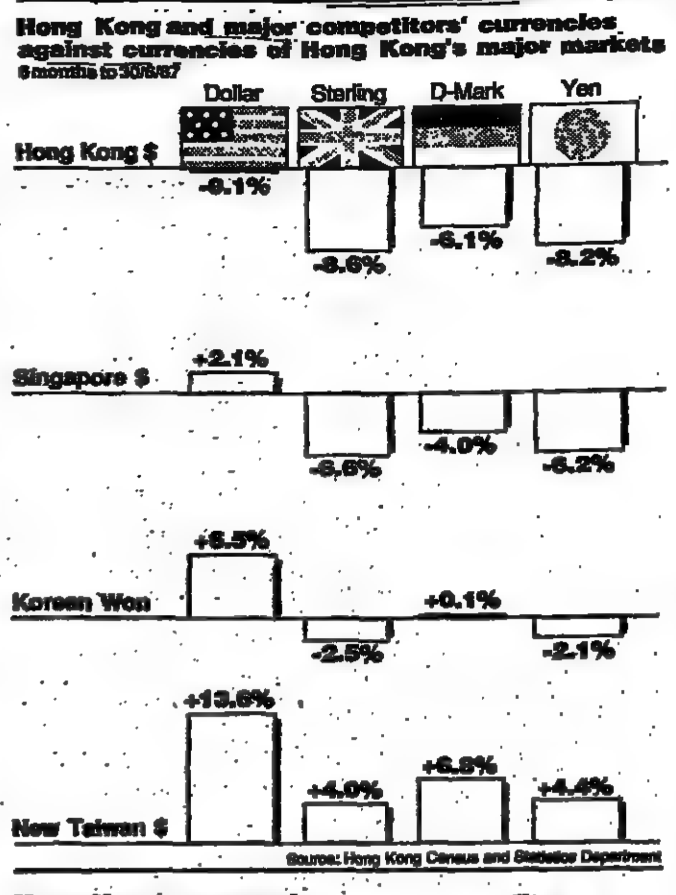
Signs from China suggest that the squeeze is almost upon Hong Kong manufacturers. Officials in cities throughout the Pearl River delta are reporting that local wage levels have begun to rise rapidly as their own labour pools begin to shrink. Many are bringing workers in from as far afield as Anhui and Henan, 1,500 miles north in the Chinese interior.

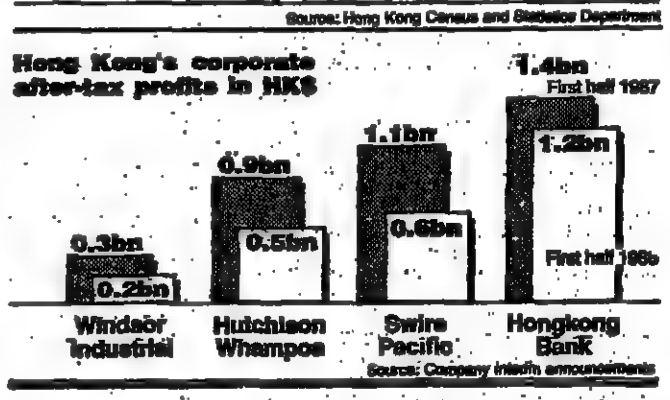
In 10 days' time, Piers Jacobs will make his half-yearly assessment of the economy's performance. If current trends were expected to continue to the end of the year, he would be pointing to economic growth in real terms of between 13 and 18 per cent. More realistically, however, he will probably be predicting growth in the region of 10 or 11 per cent.

He may also be making the first official admission of the extent to which Hong Kong's economy has been integrated with that of its Chinese hinterland.

It would be a small step to concede that the transition many had though would occur in 1997 has already taken place for many manufacturers. If they are anxious now, it is not because of fears about what China might do after 1997, but because their fates are already in the hands of Peking.







Abboud at First City

If anybody can put First City Bancorp back on its feet, it is A. Robert Abboud, bankers say. But he may have to smooth his rough edges. The 58-year-old Boston banker, who has promised to raise $500m to save the washed-out Houston banking group, has a reputation for being difficult to get along with. "People think the "A" in A. Robert Abboud stands for abrasive," he said in an interview in 1984.

That led to trouble at First Chicago, where the Harvard graduate started as an assistant cashier in 1960 and worked his way up to chairman. The bank's board booted him out in 1980: his conservative policies were not bringing in the profits and he was unpopular with senior management.

He then joined Occidental Petroleum, but left in 1984 after falling out with the oil company's autocratic chairman, Dr Armand Hammer.

History has been kinder to Abboud than his critics. When he took over at First Chicago in 1975, he shook out the bad real estate loans and staunched other problems by clamping down hard on lending. Across the street, Continental Illinois was growing fast and making big profits, to the envy of Abboud's colleagues. But when Continental Illinois had to be rescued in 1984, Abboud's caution at First Chicago was vindicated. Can he repeat the trick with the bad real estate and energy loans at First City?

Civil words

Low morale, poor salaries relative to the private sector, increased politicisation of appointments and a poor public image — not a snapshot of the British civil service, but of their American colleagues, according to Paul Volcker.

Now that "Tall Paul" has relinquished the reins of power at the Federal Reserve Board, he has found a new crusade: a group called the Commission on the Public Service, dedicated to improving the lot of America's career civil servants.

Launched yesterday in Washington, the group will seek to promote the interests of public service with all of the Presidential candidates over the next 18 months. In an election that is likely to see more than its fair share of Washington-bashing, Volcker has a tough time ahead of him.

But now free from the constraints that prevented him from expressing a view on such matters when in office, he is clearly intent on making his point. High-minded as ever, he says he sees a "quiet crisis" in the making, though—with jittery financial markets doubtless still in mind—he hastens to add that the Fed itself is "somewhat isolated" from the pressures that face its peers.

Men and Matters

Getting there

Now that the shock wave from Big Bang has passed, Sir Nicholas Goodison, chairman of the Stock Exchange, has restarted his regular trips across the north-south divide to meet the people who run listed companies in the regions.

Goodison usually invites around 40 to a question-and-answer session about the latest from the Stock Exchange, followed by a buffet supper.

He suspended the get-togethers while everyone was adjusting to Big Bang. But this week he was in Manchester reporting how pleased he is by its aftermath.

His only worry seems to be a lack of feedback from listed companies about the exchange's publications, Interchange, and the Quality of Markets Quarterly, both of which were included in a hefty information pack for the people at the meeting.

As people pored over these journals, realisation dawned that many were seeing them for the first time. Goodison changed tack: how best could the Stock Exchange ensure that such things got past a senior man's secretary, and actually reached him?

"No chance," muttered one chief executive, whose secretary is under instructions to throw any package of printed material weighing more than three ounces straight into the bin.

Another however, proposed what could be the perfect solution. He suggested to Goodison that material be sent in pastel-coloured, scented envelopes with names and addresses handwritten in exotic-coloured ink.

Any secretary with a sense of discretion would pass such correspondence straight through unopened, it was argued.

A thought advanced during the evening was that adding a scrawled "Strictly Private and Confidential" would make onward transmission absolutely certain.

Family politics

One of the grand old men of Danish politics, Erhard Jakbsen, aged 70, who founded his centre-democratic party in the 1970s after breaking with his old party, the social democrats, will form a father- and-daughter team in Prime Minister Poul Schluter's new coalition government.

This is the first time that Erhard, as he is fondly known to everybody, has been given a Cabinet job, though his daughter, Mimi Stilling Jakbsen, was first minister of culture and then social affairs minister in the previous coalition.

Erhard Jakbsen is one of the most enthusiastic Danish supporters of the EEC and NATO, and one of the country's most fiery speakers.

But when he was a member of the European parliament his un-Nordic contributions went almost unnoticed among the floods of Gallic enthusiasm.

His job in the new government is minister of co-ordination, between the four coalition parties. It is a role which he has played from outside the cabinet before.

His talent for getting people to work together has much to do with the fact that there were remarkably few serious disagreements during the five years of Schluter's coalition.

Daughter Mimi, brought up in a home where politics was about the only serious subject of conversation, was first elected to the Folketing 10 years ago at the age of 28.

After a successful term as minister of culture she was promoted to the big spending social affairs ministry. Politically she does not seem to be able to put a foot wrong.

She is divorced and has a small son. And it certainly did her reputation no harm with the broadminded Danish public when it slipped out during the election campaign that she is the live-in companion of Bengt Burg, presenter of a popular early-morning radio programme.

The spark was struck when she phoned him "on air" one day to thank him for a complimentary reference in his radio programme.

Perhaps that romantic touch to an otherwise boring election campaign explains why the centre democrats were the only coalition party to make a gain in Tuesday's election, going ahead from eight to nine seats.

Junior partner?

A reader has noticed what he calls a sign of the times in the City of London.

At a parking meter in Great Winchester Street yesterday was a new BMW with a scribbled notice on the windscreen, "Meter Jambed."

Observer

MR NORMAN TEBBIT'S period as Chairman of the British Conservative Party is drawing peacefully to a close. Mr Tebbit has already left the Cabinet *at his own request and* is completing an analysis of this year's general election results for a yet unnamed successor.

By and large, he achieved what he set out to do. He targeted the right seats for special attention. Out of a total of around 70 which he believed the Tories had either to hold or regain in order to win the election quite comfortably, only 13 were lost — three of which were in Wales and seven in Scotland.

His outstanding performance was to help mobilise Ministers to put up a strong showing at last year's party conference. The Government had been going through one of its worst periods in the first half of the year what with Westland, BL *and the dropping of the Sunday* trading provisions. It came back at the conference with Ministers, in a united approach, outlining achievements so far *and promises of what was to* come. That was the political turning point.

Some of the tensions that arose afterwards are built into the relationship between Conservative Central Office and the Prime Minister, and owe a lot to there not being fixed-term Parliaments. Central Office is always nervous about the election timing: it does not want to peak too soon nor start too late, yet it does not have the final say about the date. It knows that it will inevitably be blamed if things go wrong.

There was also, perhaps especially in Mr Tebbit's case, a problem about the Central Office role in policy-making. Mr Tebbit is an ideas man rather than an organisation man. He would have liked Mrs Thatcher to have drawn up plans for widescale changes in the machinery of government, but she would have none of it, at least until the next stage of privatisation is complete. That left him vulnerable to the charge that he was more interested in organising Central Office.

The tensions between the party headquarters and the Prime Minister are likely to continue whoever succeeds him. The theory is—and nobody has effectively challenged it—that you put in a relatively low level or part-time figure between general elections, then instal someone bigger about two years before the next election is due.

The trouble is that the low level or part-time figure lacks the authority and the time to impose reforms on the organisation — and the high level figure might be a rival to the Prime Minister. It is difficult to see a way out of this dilemma so long as Mrs Thatcher remains, since even Lord

Politics Today

Wanted: a new Tory chairman

By Malcolm Rutherford

Thorneycroft, who had no possible claim on the leadership, was dismissed as Chairman when he became mildly critical of her policies.

Nevertheless, Central Office enjoys one inestimable advantage over its rival organisations in other parties. It keeps its eyes on the constituencies. When the results of one general election are in, it starts planning for the next, noting the parts of the country where the party could and should have done better.

This is not an easy exercise, for the constituency organisations are jealous of their autonomy and, on the whole, support Central Office financially rather than the other way round. There is not even a central record of party members. Thus the power of the central organisation to intervene at the constituency level is very limited. Even an attempt to persuade a constituency party to employ a better agent or modernise its filing system might be resented and resisted.

What has developed over the years, however, and is now likely to be strengthened, is an effort to encourage neighbouring constituencies to work more closely together and to place resources where they are most needed.

Completion of the task will be impossible. The solid Conservative seat of Beaconsfield in Buckinghamshire, for example, is reckoned to have one of the best—and best paid—agents in the country; maybe that is why the Tory majority is so large. It might be better if the agent were employed in the Midlands, but that is not going to happen.

Still, there are areas where changes can be made. Plymouth has three constituencies, two held by Tories and the other by Dr David Owen of the SDP. The Plymouth Conservatives have agreed to a combined organisation and common headquarters. (It is rather an ironic place to choose since the Tories might have to decide whether or not to oppose Dr Owen at the next election.)

Another instance of the organisation beginning to cross constituency boundaries concerns Mr Tebbit's own seat of Chingford in Essex. The Conservatives gained the neighbouring seat of Walthamstow at the general election. The next aim is to pick up the other neighbour, Leyton; if successful, they would then hold all the seats in the Waltham Forest Borough.

Similar co-operation is being considered in some of the major cities, even those where the Tories did well, such as Bristol (three seats out of four) and Birmingham (five out of ten). Newcastle upon Tyne, which no longer has a Tory MP, is likely to be given special attention.

The aim generally is to extend the Conservative push to new frontiers. The political geography after the election showed that the Tories had done well in the south, including London and the Midlands, but badly in the north, Scotland and, to some extent, Wales.

The voting patterns can be broken down in more detail. The Conservative Central Office

Tebbit: an ideas rather than organisation man.

analysis is that someone who lives in a council house, is employed in the public sector, belongs to a trade union and owns no shares tends to vote Labour. Such people are concentrated in the north.

The Conservative voter tends to own his or her own house, work in the private sector, may or may not belong to a union (this criterion is no longer as important as it was) and to hold shares. This sector is concentrated in the south and is growing. *Under Mrs Thatcher's* Government it should continue to grow and expand northwards as more and more people move into the private sector and become *shareholders*.

Thus the Tory goal at the next election should be to mop up more seats in London, move further north and retrieve the situation in Scotland where there have already been extensive changes in the party organisation. Mr Tebbit would add, as a word of advice to his successor, that at the same time it will be essential to maintain the policy momentum; for it is from the growth of the private sector and from wider ownership that the Tory vote has come. He would also see the Tory aim not so much as winning more seats as winning more votes, more evenly spread around the country.

If all that sounds vastly oversimplified as a plan for the Tories to win again, of course it is. It omits what happens if privatisation turns sour. (Recent events at British Telecom would have provided an interesting background if the general election had been October not June.) It overlooks what might come of the new party that might be born of the Liberal-SDP Alliance and it totally ignores how the Labour Party might develop.

Moreover, sooner or later—probably about mid-term — there is almost bound to be a huge fit of nerves in the Tory Party about whether Mrs Thatcher should stand again or step down. One can already sense the discussions beginning.

Nevertheless, a party that keeps its eyes on the constituencies and is continually trying to improve its organisation has a huge advantage. It will be a long time before even a regalvanised Labour Party can take on the Tories in the south, yet the Tories are already moving north. The Liberals can do it, but largely in by-elections when they simply pour all their resources into one place.

That is why the succession to Mr Tebbit is important. It means someone who is close to Mrs Thatcher, but can also stand up to her — who can organise as well as think. There are precious few candidates around.

West Germany's state elections

Strauss awaits news from the north

By Peter Bruce in Kiel

NOTHING IS ever supposed to happen in Schleswig Holstein. Flat, almost to the point of being romantic, and perched alone at the top of West Germany, the state's dour inhabitants are the very epitome of German *Gruendlichkeit* and good sense.

They seem also about to become the vehicle of Chancellor Helmut Kohl's next political embarrassment. State elections are being held here —and in the city state of Bremen further south—on *Sunday and Mr Kohl's Christian* Democrats (CDU) seem certain to lose their majority in the state parliament and, with it, their majority in the Bundesrat, the upper house of the Federal Parliament in Bonn.

The CDU will then have lost support in almost every state (and one national) election since Mr Kohl was first elected to power in 1983. Worse still, losing a majority in Schleswig Holstein after ruling there for 37 years would leave the balance of power in the Bundesrat in the unpredictable hands of the Bavarian leader, Mr Franz Josef Strauss, Mr Kohl's senior coalition partner and his most relentless critic.

It is also possible that new regional alliances will emerge between the federal opposition, the Social Democrats (SPD), and the liberal Free Democrats (FDP), *junior partners in Mr* Kohl's coalition, which could further undermine Mr Kohl's fractious Government.

Certainly Mr Kohl takes the *Schleswig Holstein poll* seriously. It has a lot to do with his change of heart last month when he finally offered to scrap West Germany's 72 *Pershing 1A nuclear missiles in* order to help the US and Soviets conclude an arms deal in Geneva.

That has not stopped the CDU in Kiel from panicking. Last week it gave a warning in hysterical pamphlets and election "newspapers" that if the SPD was given half a chance, it would form a Government with the radical Greens environmentalist party.

Cars would then be abolished. Foreigners (read Turks) would be given the vote. The police would be dissolved and prisons emptied. Abortion would become available up to the moment of birth (and be chargeable to the national health) and sex with 14-year-olds would be made legal.

This kind of campaigning is a far cry from the nice-guy image that the state's young Premier, Mr Uwe Barschel, likes to project. But since being injured in an *air crash earlier* this year he has not been his old, buoyant, self.

Mr Barschel quickly apologised for the sex claim, but that did little to subdue suspicions that someone in the CDU was trying to nobble the SPD's leading candidate by spreading other dark rumours about him, *including an old German* favourite, tax evasion.

The SPD challenger, the handsome and charming Mr Björn Engholm has gone down so well in the state that Mr Barschel risks losing not only his majority but being removed from Government altogether.

Recent polls give the SPD about 45 per cent of the vote, about two points ahead of the CDU. In the last state election in 1983 the SPD collected just 43.7 to the CDU's 49 per cent. Dr Klaus Rave, the SPD's campaign manager, says Mr Engholm will try to form a Government even if it means talking to the Greens or the FPD about a coalition.

The CDU is in trouble in Schleswig Holstein because it is losing its grip on a once fiercely loyal farming vote—more than 10 per cent of the electorate. The Kohl Government in Bonn is being blamed for not stopping EC farm produce price cuts earlier this year. Mr Karl Eigen, a federal CDU MP and head of the farmers' union in the state says Brussels' farm policies threaten to drive up to 50 per cent of farmers off the land.

"A 10 per cent cut in turnover can mean a halving of profit," he says. The trouble with being a German farmer, says Mr Eigen, is that "we are the weakest element of a strong economy." He fears the farmers may stay at home in protest on Sunday despite a massive CDU effort to mobilise them. A break-away, right-wing, voters' association is also trying to woo the farm vote, which will not *do the CDU any good either.*

Mr Barschel will probably need FDP support if the CDU is to have any chance of staying in Government. In fact, in *order to try to secure it, he* has offered to bring the FDP into a coalition even if he wins an overall majority. The FDP, in turn, has promised the CDU *support.*

None of which means very much. Though it is likely the liberals will win 5 per cent or more of the vote and get into the state parliament, it is not entirely certain that the leader of the FDP in the state, Mr Wolf-Dieter Zumpfort, speaks for the party. The SPD's Dr Rave calls him a "primitive neo-capitalist" and says there are other FDP leaders the SDP would talk to about a coalition.

Also, the FDP is notoriously opportunist and has just formed, in Hamburg, the first coalition with the SPD since it abandoned Chancellor Helmut Schmidt in 1982 and brought Mr Kohl to power. The SPD and FDP also seem likely to form a coalition in Bremen, where the socialists may lose their overall majority on Sunday.

The Greens have also offered the SPD support but they also have to cross the 5 per cent barrier first. That means taking enough votes away from Mr Engholm, who is left wing on most issues but in a gentle, pipe-puffing way that has not frightened off the quiet northerners. "Schleswig Holstein has always been difficult for the Germans because of the left-wing SPD," says Mr Heino Schomaker, the party's election manager.

The prospect of having a watered-down CDU government in Kiel — let alone an SPD one — and the failure to make much out of tiny Bremen's DM 2m-a-day debt repayments threaten to make Monday miserable for the Chancellor. Not least because Mr Strauss is bound to leap for the umpteenth time upon any CDU losses as evidence that Mr Kohl does everything wrong and that he should pay closer attention to the advice he gets from Bavaria.

Letters to the Editor

Fundamental research

From Professor V. Heine, FRS

Sir,—Much of Sir Trevor Skeet's letter (September 8) about British participation in CERN (European Organisation for Nuclear Research) makes good sense. Of all subjects it ought to be pursued through international collaboration because of its enormous expense. There is, however, one basic issue about the need for fundamental scientific research which he has simply got quite wrong. Fundamental research now is important for technology tomorrow, but not any kind of fundamental research. There is no conceivable way in which the fundamental understanding being pursued at CERN can feed into technology for ever. Even the word "nuclear" in the CERN title is a misnomer. There are honest ways for scientists to argue for money from public funds, but to point to technological benefit in this case is not one of them.

There are two points to be made. The first is that there has to be some degree of selectivity in fundamental research as in other fields of endeavour. One must not draw lines too tightly because by definition the object of research is to find what has not yet been discovered. The technique is to select broad fields which are relevant to technology. Fields more remote from application are not ignored: they are pursued at a lower level of activity and only at the highest intellectual level. The very large sum still going into high energy particle physics (which is done by CERN) does not conform to *this strategy.*

The second point is that the present misallocation of the research budget for basic science is starving those areas which really *do* have technological importance. Readers will know that there has been a renewed brain drain in recent years because of disillusionment about the support of basic research. It seems as if Britain does not understand on what side its bread is buttered. High energy particle physics is not the only area that needs reappraisal.

(Prof) Volker Heine.
Cavendish Laboratory,
Madingley Road, Cambridge.

It's people that matter

From the Director, Industrial Participation Association

Sir, — I was very interested to read (September 8) about the launch of the Ethical Trust; in particular I was impressed at the reference to "well-run companies with a history of good industrial relations."

How infrequently is much attention given to the way in which companies manage their people when assessing their worth. Companies are bought and sold, broken up and amalgamated, entirely on financial criteria, with little regard as to what may have taken many years to build — a sound policy towards employees.

This association is convinced that in the future, global competition will be increasingly between workforces, and the commitment of employees to such key factors as quality and service will be vital.

Bryan C. Stevens.
85, Tooley St, SE1.

Broadcasting tests ahead

From the Managing Director, Yorkshire Television.

Sir,—Your leader "Broadcasting tests ahead" (September 7) *fails* to address the key issue: how do we preserve the high standards which we have *traditionally enjoyed in British* broadcasting?

The Government pledged itself to do just that in its Election manifesto. Your leader *argues* that drama, arts and current affairs programmes could not pay their way in the market places. There is more to broadcasting than the market place; there is more to programmes than seeing them solely as products paying their way.

We all know that change is inevitable and most of us will welcome sensible changes. But what should not be tossed aside lightly is a broadcasting system which is regionally based, is healthy for the well-being of the nation and has proven vitality abroad.

Paul Fox,
The Television Centre,
Leeds.

A strategy for electricity

From Mr D. Ross.

Sir,—The argument (September 1) by Mr John Lyons of the Engineers' and Managers' Association, that the electricity generating authority and the grid should remain a single unit under privatisation would mean that independent producers would have little chance of competing. The principal producer would be the sole distributor.

Any rival could be headed off, as has happened under the state monopoly, by an unattractive price being offered for electricity. The managers of the grid would argue that the private supplier often (though not always) has electricity available when demand is low and that therefore it can be compared with cheap, baseload supply. Then a margin is deducted.

The rights and wrongs of this can be disputed on both sides: what is inexcusable is to allow one of the parties to have monopoly control over the delivery system and thus, right or wrong, decide the argument. No organisation answerable to shareholders should be placed in such a position. If the new organisation satisfied its owners, it would disappoint the consumers; and vice versa.

Mr Lysons' union has made the point that the members work for the CEGB and do not wish to see their contracts of employment transferred. But this is done routinely whenever a company is taken over and there is no problem in ensuring that wages, conditions and pensions are legally safeguarded inside the successor organisation. That is one of the things unions are for. Parliament has wider responsibilities, to all of us.

David Ross,
55 Ruskin Park House,
Champion Hill SE5.

Safety at work

From the Director, Industrial Relations, Chemical Industries Association

Sir,—Once again I must take issue with the claims (September 7) made by Mr Gee of the General, Municipal, Boilermakers and Allied Trades Union.

Mr Gee predicts that 1986 accident figures in *our* industry will be worse than those for 1983. What he omits to add is that this is largely because of new reporting and recording criteria (RIDDOR) which mean that a greater range of accident of a serious nature will be reported. These regulations have been welcomed by this association as a means of drawing additional attention to the importance of safety in this already safety-conscious industry.

Employers in the chemical industry meet regularly with national officers of the trades unions *in a forum* specially constituted to monitor and influence health, safety and environmental issues. Currently the correlation of accident statistics is just one of the items under consideration.

Many other matters of major significance affecting workplace health and safety have been discussed and joint position reached through constructive debate in a spirit of co-operation. Mr Gee's overstatements are unhelpful at a time when the industry is working so hard to continue the joint promotion of co-operative activity in an area of the highest possible mutual concern.

The British chemical industry is proud of its high level of safety awareness and continues to make efforts to improve standards of safety. Indeed, the emphasis on safety is reflected at all levels of our operations, as anyone who has visited a modern chemical plant will see. Managers in our industry are aware of their responsibilities and that they can be prosecuted if negligence is proved.

Kenneth Hack.
Kings Buildings,
Smith Square SW1.

Who watches what

From Mr W. Phillips.

Sir, — John Lloyd's column (Monday Page, September 7) embodies a hard-dying fallacy about the way television viewers behave.

Mr Lloyd contrasts allegedly falling audiences for current affairs with those for entertainment programmes such as The Price is Right. He deduces that current affairs *is* elitist and off-puttingly impenetrable, and says that "most FT readers either do not watch much TV, or watch the programmes which the mass audience do not." This is simply untrue. The central fact about TV viewing, which can be inferred from a week's or a decade's panel data, is that it is undifferentiated. Everybody watches all kinds of programme; sooner or later we all see everything. The social distinctions between patrons of different daily papers and (to a lesser extent) radio channels is not found in television.

True, businessmen (FT readers) tend to be lighter viewers *in toto* than, say, elderly working-class women. But whatever their class, income, age, sex or address, viewers distribute their viewing in much the same proportions, allotting about one-third of their time to factual and informative items such as current affairs. If individual programmes of that sort suffer falling audiences, it may be merely because a *wider choice* of them is on offer nowadays (half the whole peaktime output of BBC2 and Channel Four is factual). Moreover, news bulletins run longer and go deeper than formerly. Studying ratings continuously, I see no justification in the figures for *assimilating current affairs* to the style of tabloid newspapers or game shows. Incidentally, the audience for The Price is Right has fallen by a quarter since 1984.

W. J. Phillips,
20 Ormond Avenue,
Hampton, Middlesex.

FINANCIAL TIMES

Friday September 11 1987

Iran to co-operate with Saudi Arabia on oil prices

BY RICHARD JOHNS IN VIENNA AND ANDREW GOWERS IN LONDON

IRAN SIGNALLED its determination yesterday to co-operate with Saudi Arabia in support of an oil price of $20 a barrel despite the acute political tensions between the two oil states.

As two ministerial committees of the Organisation of Petroleum Exporting Countries met jointly to review the currently weakened state of the oil market, Mr Hossein Kazempour Ardibili, Iran's deputy oil minister, said his country's backing could be relied on if Saudi Arabia helped "by getting their friends to adhere to production quotas". This was a reference to continuing over-production by Kuwait and the United Arab Emirates, and to a lesser extent by Saudi Arabia, which took Opec output about 3m barrels a day above its self-imposed ceiling of 16.6m b/d.

Mr Ardibili's presence in Vienna, despite the fact that Iran is not represented on either of the two committees, was seen as a sign that Iran is desperately anxious that oil prices should not become a victim of the escalation of its conflict with Iraq or of bitter recriminations between Tehran and Riyadh over the Mecca riot in July. As the meeting began, oil prices rose, with North Sea Brent crude marked up 39.5 cents on the day to $18.435 a barrel.

Fighting in the Gulf war intensified yesterday ahead of the peace mission to Iran and Iraq by Mr Javier Perez de Cuellar, the United Nations Secretary-General, which starts in Tehran tonight.

Iranian gunboats fired machine-guns and rockets at the Cypriot oil tanker Haven. The incident, which caused little damage and no injuries, was the first reported shipping attack by Tehran in a week and was in apparent retaliation for an Iraqi strike on Iranian shipping at Iran's Kharg island loading terminal on Tuesday.

There were reports of heavy Iranian shelling of the port of Basra and other Iraqi cities, while Iraqi warplanes continued to bombard industrial and civilian targets in Iran. Iraq said it would continue its attacks "until Iran understands that it has no other choice but to accept peace, according to UN resolution 598 ordering a ceasefire in the Gulf war."

Mr Perez de Cuellar, who is going to Tehran and Baghdad with the full backing of the UN Security Council, expressed optimism about his mission and hope that the two belligerents would observe a temporary truce while he was in their capitals as asked to by the Council.

However, although Mr Perez de Cuellar said Iran had "accepted the concept of a ceasefire", there was widespread gloom among diplomatic observers yesterday about his chances of success in persuading Iran to implement the ceasefire resolution. Iran has equivocated so far, while Iraq has said it will accept the UN order only if Iran does.

Meanwhile, there were further indications of Soviet pressure on Iran, and a senior Iranian delegation was in China - another of the five permanent members of the Security Council - in an apparent effort to head off pressure for an international arms embargo against Tehran if Mr Perez de Cuellar's mission fails. China is accused by the US of being Iran's main weapons supplier.

David White reports from La Mancha on the decline of the world's garlic capital

The not-so-sweet smell of success

IF YOU believe in the power of crosses and garlic to ward off vampires, then your safest refuge would probably be to cling to the cross on the church tower of Las Pedroneras, a hot dusty town in the depths of La Mancha, 100 miles south-east of Madrid.

"Capital of garlic," the signs announce at both ends of town. The signs are superfluous. You smell it before you reach the place.

Count Dracula would, in any case, be out of his element in this town of 7,000 people, perched on a monotonous, Spanish plain. It is a long way from Transylvania. You would think it was also a long way from the Latin American debt crisis but you would be wrong.

Because of Brazilian import restrictions, the garlic-growers of Las Pedroneras and the surrounding region have more of the pungent smelling bulbs than they know what to do with. Overnight, their main export market has collapsed.

"There is nowhere else in the world where there are so many families in one place dedicated to garlic," says Mr Juan Pacheco, president of the local garlic co-operative. Some 6,000 households in the area depend directly or indirectly on it.

The harvest, more than half of which is exported, could normally be expected to bring in $75m. Instead of 9m or 10m kilos, Brazil - by far the region's biggest customer - has bought only 2.7m kilos of this year's crop. The price paid by Brazil has dropped by half, from $17 to between $8 and $8.50 per 10-kilo box, and European clients have followed.

'People die of boredom here, but not of heart attacks'

The co-operative, which with its 2,200 members and 16m kilos of garlic accounts for over a third of local production, has cold storage capacity, but small independent farmers have to offload their produce as best they can.

Last Saturday, International Garlic Day, they were handing out free bags of garlic to motorists on the main road that skirts the town.

Tempered by a tough, dry climate, with baking summers and bitter winters, the garlic growers take pride in the tenacity and "loving care" that goes into their work. Sowing-time lasts from late November to early February. The harvest, starting in late June, is all done by hand.

The region's speciality is purple garlic (the colour of the dry peels but not of the cloves themselves), of finer taste and longer-lasting than the white French variety, but with a form lending itself much less easily to mechanisation. Children here learn to collect the roots from the age of eight or 10 and in July they can be seen out in the fields at 4am.

It used to be just a family-scale business, but expanded from the early 1960s. Vines and cereals have progressively made way for garlic as growers seek out fresh soil. Half the land is now under irrigation, doubling the yield per hectare. There have been bad years, but in good years (1985-86 was one of the best) Las Pedroneras has thrived. The garlic boom even halted emigration to the cities.

The Brazilian connection, traced to Spanish emigrants involved in garlic-growing in that country, dates from the start of the expansion phase. In recognition, the town renamed a section of its main street Avenida del Brasil. One Madrid business columnist, with a large measure of poetic licence, reckoned that Rio de Janeiro owed its carnival to this part of Cuenca province.

"Addiction to garlic," he wrote, "is what gives joy and health to Brazilian mulattoes. Garlic is the aphrodisiac that permitted a race as staid and gloomy as the Portuguese to mix with the best African strains." But nobody knows if the Brazilians will come back.

Is anyone to be found in Las Pedroneras who does not like garlic? "It's very unlikely," says Mr Pacheco. He adds that, evidently thanks to garlic, the town has very few heart-problem cases.

Great store is set by garlic's health-giving reputation. Mr Pacheco and his colleagues latch eagerly on to US medical research papers that tend to back up its claims to remedial or prophylactic powers. They hope that health fads will offset the root's one great handicap described by Alexandre Dumas in his Grand Dictionnaire de Cuisine: "Everyone knows the odour of garlic except the one who has eaten it and wonders why everybody turns away."

"People die of boredom here," says Mr Marcos Garcia Gonzalez, a domestic appliance repairer who lived in Barcelona before marrying a girl from Las Pedroneras, "but not of heart attacks."

Honecker makes an emotional trip home

By David Marsh in Wiebelskirchen

CRIES OF "long live Erich" and banners calling for the demolition of the Berlin Wall greeted Mr Erich Honecker, the East German leader, yesterday on his emotional return trip to his home in the Saarland.

Earlier, on a journey to the border town of Trier, birthplace of the father of Communism, Mr Honecker declared: "A world without Karl Marx is inconceivable."

But on a rousing and rowdy visit to the Honecker home village of Wiebelskirchen, he witnessed the frantic and seamier side of West Germany's competitive capitalist society.

Against the background of struggling news cameramen who had reportedly paid thousands of marks for window seat views, Mr Honecker was whisked away in his heavily guarded Mercedes to the two-storey house in the Saar village he last saw nearly 40 years ago.

Wiebelskircheners crowded six deep in the narrow streets, hemmed in by police, and gave Mr Honecker a reception of cheers mingled with occasional protests. In a rare display of emotion, Mr Honecker broke through his guards and greeted wellwishers.

Wiebelskirchen, to which the fervently communist Honecker family moved in 1913 when Erich was one year old, has become both a heavily televised shrine for Honecker watchers, and a symbol of the political gulf which persists between the two Germanies in spite of his historic trip here this week.

Mr Hans Thal, a member of the Wiebelskirchen Catholic community who laid on a tent, refreshments and choral singing in front of the church yesterday, summed the feelings of many: "Mr Honecker is homesick and has been allowed to come home. Now the small people in East Berlin who want to come to the West should also be allowed out."

Mr Klaus Hoppstaedter, chairman of the Wiebelskirchen council, said some local people had been pestered by cameramen offering money for vantage points next to Mr Honecker's old home. His 70 year-old sister Gertrud still lives there and welcomed him there for coffee yesterday afternoon after the two made a sentimental pilgrimage to their parents' grave in the leafy hillside cemetery.

Stories that some media teams paid up to DM20,000 ($11,100) for vantage points from which to film, though meeting some scepticism, caused indignation among local Communists.

Underlining the mixed emotions, riot police stood by in the normally sleepy village centre as young conservatives trundled by in a placard-plastered van, calling for an end to "dictatorship" in East Berlin.

At a fete organised by the Wiebelskirchen communists, Mr Werner Zins, leader of the pipe band of which Mr Honecker is an honorary member, said: "People are proud that the local hero has returned."

On a grimmer note, Mr Fritz Sick, an old communist comrade in arms who first met Mr Honecker in 1928, said the much-criticised shooting of East Germans trying to escape to the West was "unpleasant but necessary."

Earlier in the day, scuffling broke out in Trier as red flag waving youths tore down anti-East German flags. But most of the population seemed to regard the visit of the Honecker motorcade as little more than an inconvenience to shopping.

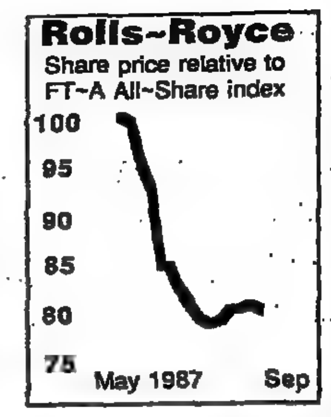
Mr Honecker's sweetest moment yesterday must have come in the evening when he was driven through the street in the Saar steel town of Neunkirchen where he was born. Nearby stood the statue of Baron Stumm, the "iron king" of the Saar, who employed members of the Honecker family and became the young Erich's sworn enemy. In the shadow of the ruined hulk of the now closed Neunkirchen steelworks, the moustachioed baron looked strangely dejected as Mr Honecker drove past to victory.

THE LEX COLUMN

Foreign hangover for Rolls-Royce

Rolls-Royce's arrival on the stock market does at least require it to produce interim figures, for the first time, but nothing will persuade it to give too much away. A pre-tax profit of £80m compared with £53.2m appears a reasonable advance given the sharp rise in R & D spending. With the benefit of the £277m in cash raised for the company in May, profits for the year ought to reach £160m, against last year's audited £120m or pro forma £148m.

At that level, and with the shares down 3p to 195p in fully-paid form yesterday, the prospective multiple of around 10 hardly seems excessive. Aside from distant memories of 1971, and the more vivid ones of losses in the early 1980s, the main depressant on the rating is the fear of foreign holders being forced to sell. With nearly 14 per cent of the shares now registered in overseas hands, any foreigners who have still not paid the call need to move fast to sneak under the 15 per cent wire. Yet it is hard to believe that those who decided to sell rather than register have not already done so given the turnover in the stock and the price weakness of late. It is far too soon to hope that the 15 per cent limit itself will be removed, nonsense though it is. But if foreigners are really keen, a market might even emerge in stock registered as held overseas.



Rowntree

For veteran followers of Rowntree, one of the regular events of the past decade has been the false dawn breaking over Europe. Yesterday's figures, showing Europe in profit at the interims for the first time, are at least a reminder of what might happen were the group to achieve lift-off. The remarkable sales increases in Germany and France, coming mainly in established brands like After Eight and Lion Bar, promise a virtuous circle of higher volume leading to lower costs, better product quality and bigger advertising budgets.

Well, perhaps. The UK confectionery business has meanwhile enjoyed a cyclical upswing due to lower cocoa prices and consequently increased volume, while the US has gone backwards as Tom's Foods is reshaped to face the competition. The net effect for the full year should be pre-tax of £115m, a highly respectable increase of almost 40 per cent after several lean years. This puts the shares - down 11p to 560p yesterday, in a remarkably grudging market - on a prospective multiple of 13. This is a discount to the sector, let alone the market; but analysts are already starting to worry about next year's rising tax charge, which could pull earnings growth back to below 10 per cent.

Burmah Oil

Burmah Oil could do a lot worse than change its name to Castrol to underline the extent of its transformation over the last few years. It has shed all of its excess corporate baggage and is reaping finally the benefits of Castrol's position as one of the world's leading specialist lubricant companies. More than three quarters of the 42 per cent rise in interim pre-interest trading profits is accounted for by this side of the business and continued increases in market share, particularly in the giant US market, underline the group's confidence that it can sustain 10 per cent a year volume growth despite a static worldwide market.

Burmah is beating its self-imposed target of a 20 per cent return on average capital employed and believes that it can maintain an average growth in real earnings per share of 10 per cent a year over the long haul. With capital spending running at £125m in the current year, its gearing, which is currently under 10 per cent, will probably double but the group still feels that it has the financial headroom for a major acquisition. Concern that this could cause the group tosquander its new-found financial strength is the only charitable explanation for yesterday's surprisingly large drop in the share price.

Cookson

Cookson was yesterday showing the analysts its lugubrious new corporate video, all about how no-one has ever heard of the company. Its share price, meanwhile, gives it the same market value as Plessey or British Airways. Its profit record might put it on a higher rating again, were it not for the fact that its Tioxide stake keeps growing in importance, contributing 50 per cent of profits at the half-way stage. But after all, the titanium dioxide price keeps rising by ten per cent a year and demand by five per cent, and Tioxide plans a 25 per cent capacity increase by 1990. Cyclical commodities are wonderful things when the cycle is heading up.

The operating companies, meanwhile, produced a very respectable 23 per cent profits rise in the first half, with last year's only sticky area - supplies to the US electronics industry - apparently on the mend. Though the group's huge diversity makes forecasting uncertain, full year profits of £145m overall would put the shares - down 8p at 804p - on 15 times earnings. Since this finally represents a market p/e, the re-rating may not go much farther; but a company on an average multiple can carry on outperforming, provided earnings do.

MEPC/Oldham

Devotees of the arcane world of property valuation will no doubt find amusement in the Oldham Estates story. The same portfolio has been valued on a similar basis three times - twice as at end September 1986 and once at end July 1987 - with widely different results. The first two at 117p and 147.2p a share were disparate enough. The third at 194.5p suggests a rate of increase in central London property this year that would surprise even Primrose Hill residents.

The serious problem, though, is that nearly 70 per cent of the company has just changed hands at a price based on the lowest valuation - admittedly one accepted by the vendors. The purchasers, MEPC, now look to have a done a clever deal. There is no daily official list for property prices, but perhaps it is time for surveyors to put a little more science into the art.

Aquino faces problem of the military

Continued from Page 1

having difficulty in deciding whether Mr Arroyo - an old friend who stood by her following her husband's assassination - should go.

The Philippines military is often likened to an escaped genie that Mrs Aquino has not been able to return to its bottle after it helped put her in power in a civilian backed coup 18 months ago. In reality, it has not been in its bottle for some time.

Mr Ferdinand Marcos, the former president, reorganised the military to ensure, not so much the security of the state, but more his personal survival. He spawned many corrupt generals who supported him through a chain of command that bypassed most of the defence establishment. The concept of civilian supremacy over the military has not been applied since democracy was effectively suspended in 1972.

Even the coup that toppled Mr Marcos was not meant to deliver to Mrs Aquino the presidency that was stolen from her, in fraudulent elections.

The original plot against Mr Marcos had been a straight grab for power, fuelled partly by disillusionment with corruption and lack of professionalism. Mr Enrile's "RAM boys" led by Col Honasan have not lost the taste for power.

Despite her recently increasingly shrill calls for "victories" against the NPA, Mrs Aquino is still seen by the army as "soft" on the Communists. The most serious complaint against Mrs Aquino is that she is not sending the right signals to her troops.

Mr Rafael Ileto, the new Defence Secretary, dismisses many of these complaints and bluntly accuses officers of operational incompetence. Many units, with some notable exceptions, have not learnt the basics of how to shoot straight, move, communicate and maintain equipment.

A divisive network of military fraternities, often stemming from the West Point-style Philippine Military Academy, has not only prevented promotion by merit but also breeds greater loyalty to the "class" and unit than to the state

Some military observers say that the country's saving grace is that the Communist rebels are equally incompetent. This may save the Aquino Government for the time being from the threat from her left.

But, meanwhile, Col Honasan and an unknown number of rebels are at large. Both groups are no doubt relishing Mrs Aquino's discomfort and the sad lack of decisive action from her palace.

Japanese trade surplus hit by rising imports

Continued from Page 1

creased competitiveness of imported manufactured goods.

Japanese officials have been particularly encouraged by the increase in imports of manufactured goods this year.

A recent analysis by the Japan External Trade Organisation (Jetro) showed that in the first half of this year the value of imports of manufactured goods (excluding non-monetary gold) rose 32.9 per cent to $27.7bn.

The growth of manufactured imports from Asian industrialising countries was particularly strong. These imports rose 66 per cent in the first half, reflecting the increasing purchases of electronic components and goods from these countries by Japanese manufacturers.

On the same basis, imports from the EC countries were up 35.6 per cent in the first half, while imports from the US rose 16.1 per cent.

Mr Kyohei Yamazaki, director of Jetro's quantitative analysis team, said yesterday that he was confident that the declining trend of Japan's trade surplus would continue in the next few months. He declined to make a forecast for the trade surplus for the current fiscal year to end-March 1988.

Mr David Gerstenhaber of the US investment bank, Morgan Stanley, believed the deficit would fall from $101bn last year to $85bn.

The announcement of a narrowing Japanese deficit contributed to a strong bounce in the dollar's value after its heavy losses of the past few weeks.

London SE sets £1 fines on settlement backlog

BY HUGO DIXON IN LONDON

MEMBERS of the London stock exchange are to be fined £1 ($1.65) a day for each bargain dating from last October's Big Bang deregulation of financial markets that they fail to settle in the next six weeks.

The fine is much lower than some people within the Stock Exchange had been urging. They had argued that a fine of £20 or £30 was needed to encourage members to settle their bargains more promptly.

However, Mr Michael Baker, executive director for settlements, said yesterday that £1 was sufficient. "We wanted to strike a balance between imposing a penalty and crucifying the firm."

The threat, contained in a letter sent to members on Wednesday, is the latest element in the exchange's strategy for dealing with the settlements crisis.

In an earlier move, the exchange said all unsettled bargains, valued at over £100,000 and more than four weeks old, would have to be settled by August 28. More than two-thirds of this backlog has now been cleared.

The exchange's settlement task force is now sifting through the reasons given by firms which failed to meet the deadline. Mr Baker said he was likely to take action.

He was concerned, however, that by concentrating on high-value bargains, firms might neglect the smaller value backlog. The exchange's letter warns that if old bargains - transacted between October 27 last year and January 30 this year - remain unsettled after October 23, the £1 fine will be imposed.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	27	81	Malta	S	31	88	Rhodes	S	27	81
Algiers	S	31	88	Edinburgh	F	12	54	Manchester	F	16	61	Rio de J'o	-	-	-
Amsterdam	R	15	59	Faro	S	27	81	Manila	-	-	-	Rome	S	28	82
Athens	S	31	88	Florence	F	28	82	Melbourne	F	13	55	Salzburg	S	21	70
Bahrain	C	36	97	Frankfurt	C	21	70	Mexico City	-	-	-	San Francisco	-	-	-
Bangkok	C	32	90	Funchal	S	27	81	Miami	S	27	81	Seoul	F	27	81
Barcelona	F	27	81	Geneva	S	23	73	Milan	S	24	75	Singapore	F	29	84
Beirut	S	29	84	Gibraltar	S	24	75	Montreal	C	17	63	Stockholm	R	13	55
Belfast	R	14	57	Glasgow	R	14	57	Moscow	R	15	59	Strasbourg	C	21	70
Belgrade	S	24	75	Guernsey	F	17	63	Munich	S	21	70	Sydney	S	17	63
Berlin	S	20	68	Helsinki	F	15	59	Nairobi	C	24	75	Taipei	-	-	-
Biarritz	S	22	72	H. Kong	S	32	90	Naples	F	29	84	Tangier	S	25	77
Bombay	F	29	84	Innsbruck	S	21	70	Nassau	-	-	-	Tel Aviv	F	28	82
Bordeaux	F	24	75	Inverness	F	14	57	New Delhi	S	33	91	Tenerife	S	30	86
Brussels	R	17	63	Islamabad	-	-	-	New York	S	21	70	Tokyo	F	31	88
Budapest	S	22	72	Istanbul	S	25	77	Nice	S	26	79	Toronto	S	12	54
B. Aires	C	14	57	Jakarta	-	-	-	Nicosia	-	-	-	Tunis	S	36	97
Cairo	S	31	88	Jersey	F	19	66	Oporto	S	24	75	Valencia	C	27	81
Cape Town	S	22	72	Jo'burg	F	21	70	Oslo	R	12	54	Venice	S	25	77
Caracas	C	28	82	Lima	-	-	-	Paris	C	18	64	Vienna	S	20	68
Casablanca	S	27	81	Lisbon	S	29	84	Peking	C	27	81	Warsaw	F	18	64
Chicago	R	27	81	London	F	19	66	Prague	F	19	66	Washington	C	23	73
Cologne	F	20	68	Los Angeles	S	17	63	Reykjavik	S	9	48	Zurich	S	20	68
Copenhagen	C	16	61	Luxembourg	C	17	63								
Corfu	S	31	88	Madrid	S	28	82								
Dallas	F	23	73	Majorca	S	30	86								
Dublin	F	16	61	Malaga	C	27	81								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Argentine interest freeze

Continued from Page 1

over 19 years $30bn in principal payments, to receive $1.95bn in new long-term loans and to renew some $2bn in short-term trade credits.

Interest rates in the package have been switched to the London Inter-Bank Offered Rate from the higher US prime rate. Earlier in the year, agreement with the IMF and the World Bank secured a further $3.95bn in loan disbursals for 1987 and 1988.

The agreements, however, were calculated on the basis of Argentina achieving a visible trade surplus in excess of $2bn in 1987. That goal is now well off-target as a result of crop acreage reductions and falls in commodity prices reducing the overall level of exports.

Argentina is already unable to meet macroeconomic targets agreed with the IMF in July, and even before the elections government officials, including Dr Lose Luis Machinea, the central bank president, warned that "a new approach" would be needed in the foreign debt negotiations.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday September 11 1987

Anatole Kaletsky looks at First City Bancorp's blind faith in Lone Star State

Why Texas bank fell to Yankees

"TOO much ain't enough" is the unofficial motto of the Republic of Texas – a state which used to think of itself as a land of limitless potential, a place where the only obstruction to ambition and enterprise was the occasional interference of meddling Feds and Yankees from Washington and New York.

Nothing could better illustrate the sometimes explosive interplay of Texan insularity and ambition than the fortunes of First City Bancorp – the biggest, oldest, and most *prestigious locally-owned bank in* Houston – which was unceremoniously handed over by federal regulators to a group of Yankee financiers this week.

As a result of Wednesday's rescue by the Federal Deposit Insurance Corporation, First City will be recapitalised into a thoroughly solvent independent bank.

Its present shareholders, however, will lose at least 97 per cent of their investment in a bank whose market capitalisation was as high as $660m only three years ago and nearly $1.5bn at its peak in 1981. Preferred shareholders will get only $30m in cash for stock whose liquidation value was supposed to be $174m and bondholders will have to accept substantial losses.

As Mr William Seidman, chairman of the FDIC, said on Wednesday, in an attempt to dispel the popularly-held view that the Federal Government was financing another "bail out" for a bank which was "too big to fail:" "First City depositors have been protected, and the bank will keep going. But for all practical purposes in terms of stockholders and management, the bank has failed."

Yet 18 months ago, when the bank's stock still traded at around 10 times its present level of $1.5, the writing on the wall for First City was already emblazoned in letters of Texas-scale brashness and size. The bank fell into what turned out *to be an irredeemable financial* crisis with the collapse of oil prices towards the end of 1985.

But First City did not try to follow the example of Continental Illinois and juggle quietly with its balance sheet or go discreetly to the Euromarkets for wholesale funds. Instead it offered gifts of Cessna private aeroplanes and Porsche cars to any of its retail clients who were prepared to keep a $1m in their accounts. This being Texas, such gimmicks brought in $150m in new retail deposits within a few weeks.

First City had always been the premier banker to the Texas oil patch, sometimes nicknamed the "oil industry's ministry of finance" and it still had plenty of loyal millionaire clients.

In the end, however, First City lost far more than it gained from the cultural and historic loyalties that bound it so closely to its home state. Practically all of the major Texan banks have been in widely-publicised danger since oil prices *started falling from 1982 onwards;* but ultimately all of them except First City managed to save themselves, or at least their shareholders, from ruin – confounding many a Yankee Jeremiah.

FIRST CITY BANCORP'S FIVE-YEAR RECORD

	Assets $bn	Net income/ (loss) $m	Loan loss provision
1982	16.6	120	53
1983	17.3	50	212
1984	17.3	81	159
1985	16.8	42	209
1986	13.7	(402)	497

After this week's rescue, there is only one very large Texas bank left on the sick-list: the state's second-biggest bank, MCorp of Dallas, with assets of $22bn.

Several medium-sized banks, including National Bancshares of San Antonio, with $3.3bn of assets, and Texas American of Fort Worth with $6bn, are also candidates for mergers. But none of them, and certainly not MCorp, are now "in danger of a First City type collapse," according to Ms Sandra Flannigan, an expert on Texas banks at Paine Webber.

Indeed, with the rescue of First City, it seems that the worst stage of the Texas bank crisis may have been resolved.

Why then did First City fail when others managed to pull themselves back from the brink? The answer lies largely in the management's excessive commitment to Texas, which sometimes seemed to border on blind faith.

It is easy with hindsight to blame the management for its excessive lending to the oil industry in the late 1970s. But First City was widely praised at the time for its energy expertise and became a darling of Wall Street because of the huge profits in the risky business of lending to the oil services and drilling contractors, who paid margins of two to three percentage points above those on run-of-the-mill corporate lending.

It is also unfair to suggest the management simply ignored the possibility of lower oil prices. Indeed, at a celebrated meeting it held in 1981, the bank forced some of its clients, much to their indignation, to listen to a presentation by economists predicting that oil could fall to $15 a barrel by the middle of the decade.

In fact, it was not until 1982, after the oil price had started falling, that First City made its greatest and most extraordinary error.

Aware that its energy portfolio was in danger, the bank, like others in Texas, decided to diversify. But unlike its great Houston rival, Texas Commerce Bank, which expanded mainly outside Texas, First City concentrated on a market closer to home – Houston property lending.

Robert Abboud

How the management could have ignored the obvious relationship between oil and Houston property values is a story that may emerge only when the bank's business is unravelled by the new management, led by Mr Robert Abboud, formerly chairman of First Chicago and later president of Occidental Petroleum.

In the meantime, First City shareholders can only look with envy at the Houston's two other major banks – Texas Commerce and Allied Bancshares, which managed to sell out voluntarily to the Yankees, instead of being forced into their hands when there was nothing left to sell.

Montedison first-half earnings fall 15.9%

By Alan Friedman in Milan

MONTEDISON, the Italian chemicals, pharmaceuticals, energy and financial services group, last night unveiled a 15.9 per cent fall in its gross operating profit for the first six months of 1987 to L739bn ($565m).

The group's consolidated net profit, however, was up to L243bn for the first half of 1987, against L227bn in the equivalent period last year.

The figures were struck on sales that declined by 2.5 per cent to L6,328bn.

Group total debt as at June 30 of this year was L6,098bn, up from L5,050bn at the end of June 1986. Debt servicing charges, however, declined from L304bn in the first *half of 1986 to L266bn as at June of* this year.

The group last night also decided upon the terms of a public offer to be made by its Erbamont pharmaceuticals division for the 25 per cent of shares outstanding in Erbamont's Farmitalia Carlo Erba subsidiary.

Erbamont, quoted on the New York Stock Exchange, currently owns 75 per cent of Farmitalia and will make a public tender offer to buy out the remaining shares. The tender, open from September 15 to October 2, will see a package of shares in Erbamont plus cash offered to Farmitalia shareholders. The equivalent value of the offer will be L13,500 per ordinary and L9,000 per savings share in Farmitalia, representing respective premiums of 31 and 34 per cent above the average Farmitalia share price.

Farmitalia itself saw its consolidated revenues decline by 3.6 per cent in the first six months of 1987 to L457bn. The consolidated operating profit at Farmitalia declined by 2.6 per cent, but with interest income and extraordinary credits from asset disposals factored in, the consolidated profit rose by around 24 per cent to L82.6bn.

Britannia Arrow buys NatWest unit trust business for £41.5m

BY HUGO DIXON IN LONDON

BRITANNIA Arrow Holdings, the UK financial services group, is to buy County Unit Trust Managers, National Westminster Bank's unit trust business, for £41.5m ($68.5m) in cash.

The deal was clinched yesterday after NatWest, one of Britain's main clearing banks, had evaluated bids from about 10 other financial institutions, including insurance companies, foreign banks and unit trust groups. Some had offered £20m or less.

The acquisition sets new levels for prices in the unit trust sector, reflecting the fact that unit trusts are one of Britain's fastest-growing financial markets.

Britannia is paying the equivalent of 10 per cent of County's £400m in funds under management. Perpetual, the most expensive quoted unit trust company, is capitalised at 8½ per cent of its funds under management.

County has net tangible assets of £800,000 and made pre-tax profits of £695,000 in the 15 months to the end of last year. Britannia has therefore paid about 100 times the most recent year's earnings.

Mr Keith Crowley, marketing director of MIM Britannia Unit Trust Managers, denied £41.5m was an excessive price. He said having £400m in unit trusts for sale was a unique situation, and so NatWest could demand a high price.

NatWest chose to dispose of its unit trust arm, after its decision to offer independent advice through its bank branches. Under the new Financial Services Act, this meant its branches would not also have been able to sell the group's unit trusts.

As a result of the acquisition, MIM Britannia will have £1.6bn in funds under management, making it the sixth-largest unit trust company in Britain, Mr Crowley said.

There would be substantial economies of scale, he added, as overheads on research and marketing would not have to be duplicated. County's 14 unit trusts will be merged into Britannia's.

Mr Charles Villiers, chief executive of NatWest Investment Bank, intermediate holding company which owned County, said few if any of the 80 people who worked for County would be made redundant.

Canadian Pacific to focus on core units

BY ROBERT GIBBENS IN MONTREAL

CANADIAN PACIFIC, the transportation, resources and industrial conglomerate, will concentrate on developing its four core sectors and has no acquisitions in sight that would absorb part of its C$500m (US$378m) in cash, says Mr William Stinson, president.

CP is leaning heavily on its two booming forest products subsidiaries to underpin second-half earnings and balance uncertainties in the rail operation and in oil and gas, he told analysts.

Overall CP should do at least as well in the second half as in the first when it earned C$277.9m, or 93 cents a share, before special gains on asset disposals of C$193m.

Mr Stinson said that, though CP wanted a fifth core sector, prices were very high and "we don't see anything out there right now."

The other sectors are resources, freight railway, property, steel and manufacturing. The company has reduced its consolidated debt by C$2.5bn.

BP regroups in US

BY OUR FINANCIAL STAFF

BRITISH PETROLEUM yesterday announced a re-organisation of its North American exploration and production activities following the completed acquisition of the whole of Standard Oil of the US.

The re-organisation of the Standard Oil Production Company will result in the loss of some 300 to 500 jobs from closure of several district offices and the concentration of staff in Houston, Texas, and at BP America's headquarters in Ohio.

The re-organisation follows a period of major upheaval for BP's US operations since Mr Robert Horton, the chairman, and Mr John Browne, now head of the upstream operations, were sent out from London last year to cut the loss-making operations from Standard Oil.

Mr Browne said: "By centralising geographically and organising into strategic business units, we can best take advantage of US opportunities."

SEC charges Allegheny Int'l

BY OUR FINANCIAL STAFF

THE US Securities & Exchange Commission charged Allegheny International, the embattled US consumer products group, and Mr Robert Buckley, its former chairman, with corporate reporting and record-keeping violations in connection with fringe benefits and perks given to top executives.

Mr Buckley was forced to resign in August 1986 after several shareholder suits alleged a history of corporate extravagance and waste during his tenure as chief executive and chairman.

Since then, the company has been reorganising and selling assets, including its Wilkinson Sword razor business, but has been a consistent subject of takeover speculation following the failure of a $500m buyout plan in May.

In July Mr Irwin Jacobs, the Minneapolis investor, disclosed a stake of just under 10 per cent in the Pittsburgh-based concern.

The charges are the result of a months-long investigation by the SEC. In a lawsuit filed on Wednesday in a federal court in Washington, the agency alleged that the company failed properly to record and fully disclose the extent to which top executives made personal use of company-owned residences and aircraft, among other things.

INTERNATIONAL COMPANIES and FINANCE

Coles Myer lifts earnings by 20%

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA's Coles Myer group, the world's second largest corporate retailer outside the US, yesterday reported a 20 per cent rise in net earnings despite higher taxation and a generally depressed domestic retail sector.

Figures for the year to June showed a rise in after-tax profits from A$182m to A$218.6m (US$159.5m) on turnover which increased from A$10.4bn to A$11.5bn.

Earnings per share rose from 40.54 cents to 48.44 cents, and the annual dividend, fully franked, was increased from 21 cents to 24 cents.

Mr Brian Quinn, chief executive and chairman-elect, called the result "outstanding," given a 50 per cent increase in tax paid by the group and the general impact of government economic policies depressing domestic demand.

The better result was due principally to a much improved performance from the businesses which were part of the Myer group taken over by G. J. Coles in a A$1bn deal in 1985.

Profits from the Myer stores themselves rose almost two-and-a-half times, and from the Grace Bros department store by 22 per cent. The biggest increase in sales was shown in the discount stores sector.

Also contributing to the improvement was a 22 per cent fall in interest charges, thanks to lower rates and the use of interest rate swaps and futures.

Some of the improvement also appears to be due to the faltering course of Coles Myer's competitors, notably Woolworth's which recently reported a half-year loss. Coles Myer's market share of Australian retail sales has now risen above 20 per cent.

In the course of the year Coles Myer opened 86 new stores and bought 25 (the Bi Lo supermarket chain in South Australia), but it closed 57 stores and sold 79 (through the disposal of Country Road). It now has 1,507 stores in operation.

On the outlook the group said a "satisfactory" result was expected for the first half of the current year, even though consumer spending remained soft.

No plans are yet in place for expanson abroad, a move previously signalled by the listing of Coles Myer shares in London earlier this year. However, the room for the group to re-invest its cash flow in Australia is becoming increasingly limited.

Profits plummet at Australian Airlines

BY OUR SYDNEY CORRESPONDENT

THE SALE of six surplus aircraft has countered a sharp fall in operating profit at Australian Airlines, helping the state-owned domestic carrier to report a record bottom line profit of A$39.2m (US$28.9m) for the year to June.

Figures released yesterday show that the airline, which competes against the privately-owned Ansett under the country's two-airline policy, managed an operating profit of just A$10.6m — little more than one-third of the previous year's A$30.3m.

The result reflected the added interest and depreciation burden of A$43m caused by the purchase of 12 new Boeing 737 aircraft.

Though this was offset by the sale of two Boeing 727s, three DC-9s and one Airbus A-300 — which contributed heavily to extraordinary earnings of A$28.2m for the year — the figures underscore the difficulty the undercapitalised airline faces in purchasing new aircraft.

Currently a A$600m order for nine Airbus A-320s hangs in the balance because the carrier needs a fresh equity injection. The Government's continuing budgetary constraints have prompted intense speculation that the airline will be privatised.

At A$39.2m, the overall profit figure was 3.7 per cent higher than the A$37.8m reported the previous year, when extraordinary items contributed A$7.4m.

It also represented a 30 per cent return on paid-up capital of A$130m, the airline said. It added that the expected dividend of A$18.2m would give the federal Government a "healthy" 14 per cent on its investments.

Mr Neil Smith, the chairman, said the airline carried a record 5.1m passengers during the year and topped the 5bn mark for the first time in passenger-kilometre performance.

In an oblique reference to the expected end of the two-airline policy and the airline's possible privatisation, he said the airline had taken "very firm" steps to improve efficiency and profitability to prepare it for a more competitive future.

The loss-making Air Queensland had been closed down and unprofitable routes had been cut out, he said. A "major profit improvement review programme" was also under way.

Wyllie cuts stake in Chinese Estates

By David Dodwell in Hong Kong

ASIA SECURITIES International, the Hong Kong-based flagship company of Mr Bill Wyllie, the Australian financier, yesterday sold 100m shares in Chinese Estates, a property group controlled by Mr Joseph Lau.

The shares were sold at HK$2.1 apiece to financial institutions in Hong Kong, London and New York, the company said, raising HK$210m (US$26.9m) without costs and reducing Mr Wyllie's stake in the company from just over 30 per cent to 10.4 per cent.

Mr Wyllie said the transaction eliminates all of Asia Securities' debt, and talked of "enormous flexibility" for making acquisitions where it has full, rather than partial, control.

Mr Wyllie controls BSR, the once-defunct UK group that is now one of Hong Kong's leading electronics manufacturers, and the Regal Hotels group.

Mr Thomas Lau, brother of Joseph Lau, is expected to replace Mr Wyllie as chairman of Chinese Estates.

Advisers to Air NZ share sale named

THE New Zealand Government has appointed a consortium of Jarden and Co., First Boston Inc FBC and Credit Suisse First Boston to advise on the sale of shares in Air New Zealand, the state-owned airline, Reuter reports from Wellington.

The advisers will examine options available to maximise both the return to the Government from its 25 per cent stake and the value of its remaining 75 per cent holding. The consortium must complete the transaction by March 31 1988.

Nissan Iberica sales rise

NISSAN-MOTOR Iberica has increased first-half sales by 39 per cent on those for the corresponding period last year, AP-DJ reports from Barcelona.

Revenues were up by 36 per cent to Pta 50.6bn ($420m), a gain of Pta 13.3bn on 1986 figures.

The company said first-half profits were about Pta 600m and projected full-year profits of Pta 1.6bn. Sales were expected to exceed 100,000 cars.

The Spanish-Japanese company, in which Nissan holds an 82 per cent stake, posted losses of Pta 8.4bn last year.

Malaysian merchant bank to seek listing

ARAB-MALAYSIAN Merchant Bank, based in Malaysia, is to seek a listing on the Kuala Lumpur Stock Exchange at the end of 1987, Reuter reports from Kuala Lumpur.

Tunku Naquiyuddin Tuanku Ja'afar, a leading shareholder in the bank, said AMMB had earned a pre-tax profit of 45m ringgit (US$18m) for the year to the end of March 1987, up from 30.6m ringgit in 1985/86. Tunku Naquiyuddin is chairman of NTAH Holdings, which owns 20 per cent of AMMB.

The Arab-Malaysian Development Bank, which owns 45 per cent of AMMB, said in March that AMMB was considering going public. The remaining 35 per cent of AMMB is owned by Mr Azman Hashim, a prominent banker.

The price-earnings ratio of AMMB shares on listing would be about eight, Tunku Naquiyuddin said, without giving details. AMMB executives declined to comment.

The bank has paid-up capital of 80m ringgit and at the end of March 1986 its assets were worth 3.46bn ringgit. With finance, insurance, securities and leasing subsidiaries, it has been making impressive profits since 1982.

Tokai Bank of Japan has signed an agreement to buy a 20 per cent stake of AMMB from Azman, but the authorities have yet to approve the sale.

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE — 8th September, 1987

National/Panasonic
Panasonic Capital Corporation

U.S.$300,000,000

9% Guaranteed Notes Due 1992

unconditionally and irrevocably
and
jointly and severally guaranteed by

Matsushita Electric Industrial Co., Ltd.
and
Matsushita Electric Corporation of America

Issue Price 101⅛%

Nomura International Limited

Salomon Brothers International Limited
Mitsubishi Trust International Limited
Yamaichi International (Europe) Limited
Credit Suisse First Boston Limited

Chase Investment Bank

Daiwa Europe Limited
The Nikko Securities Co., (Europe) Ltd.
Sumitomo Finance International
IBJ International Limited
Algemene Bank Nederland N.V.
Bank of Tokyo Capital Markets Group
Bankers Trust International Limited
Banque Bruxelles Lambert S.A.
Banque Paribas Capital Markets Limited
Chemical Bank International Group
Cosmo Securities (Europe) Limited
County NatWest Limited
Deutsche Bank Capital Markets Limited
Dresdner Bank Aktiengesellschaft
Goldman Sachs International Corp.
Kidder, Peabody International Limited
Kleinwort Benson Limited
Kyowa Bank Nederland N.V.
Manufacturers Hanover Limited
Morgan Guaranty Ltd
Morgan Stanley International
National Securities of Japan (Europe) Limited
New Japan Securities Europe Limited
Nippon Kangyo Kakumaru (Europe) Limited
Prudential-Bache Capital Funding
Sanyo International Limited
Société Générale
Sumitomo Trust International Limited
Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited
Wako International (Europe) Limited
S.G. Warburg Securities

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE — 9th September, 1987

YAMAHA MOTOR CO.,LTD.

U.S.$100,000,000

3¼ per cent. Guaranteed Notes due 1992

with

Warrants

to subscribe for shares of common stock of Yamaha Motor Co., Ltd.

The Notes will be unconditionally and irrevocably guaranteed by

The Fuji Bank, Limited

Issue Price 100 per cent.

Nomura International Limited

DKB International Limited
Merrill Lynch Capital Markets

Bank of Tokyo Capital Markets Group
Fuji International Finance Limited
KOKUSAI Europe Limited
Manufacturers Hanover Limited
Sanyo International Limited
Sumitomo Finance International
Yamaichi International (Europe) Limited
Bankers Trust International Limited
Crédit Lyonnais
Goldman Sachs International Corp.
Ichiyoshi International (H.K.) Limited
Meiko Europe Limited
Mitsui Finance International Limited
Mitsui Trust International Limited
Nippon Kangyo Kakumaru (Europe) Limited
Salomon Brothers International Limited
Shizuoka Finance (H.K.) Limited
Sumitomo Trust International Limited
Towa International Limited
Union Bank of Switzerland (Securities) Limited

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE — 9th September, 1987

NIPPON DENKO CO., LTD.

U.S.$70,000,000

3¼ per cent. Guaranteed Bonds 1992

with

Warrants

to subscribe for shares of common stock of Nippon Denko Co., Ltd.

Payments of principal of and interest on the Bonds being unconditionally and irrevocably guaranteed by

The Fuji Bank, Limited

Issue Price 100 per cent.

Nomura International Limited
Fuji International Finance Limited

Tokai International Limited
Yamaichi International (Europe) Limited
Chuo Trust International Limited
Cosmo Securities (Europe) Limited
Ichiyoshi International (H.K.) Limited
Kleinwort Benson Limited
KOKUSAI Europe Limited
Marusan Securities (Europe) Limited
Merrill Lynch Capital Markets
Mitsubishi Trust International Limited
Morgan Grenfell & Co. Limited
Salomon Brothers International Limited
Sanyo International Limited
Swiss Volksbank
Taiheiyo Europe Limited
Towa International Limited
Yasuda Trust Europe Limited

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE — 10th September, 1987

AOKI
AOKI CORPORATION

AOKI CORPORATION

U.S.$100,000,000

3¼ per cent. Guaranteed Notes due 1992

with

Warrants

to subscribe for shares of common stock of AOKI CORPORATION

The Notes will be unconditionally and irrevocably guaranteed by

The Kyowa Bank, Ltd.

Issue Price 100 per cent.

Nomura International Limited
IBJ International Limited

Algemene Bank Nederland N.V.
Bank of Tokyo Capital Markets Group
Banque Bruxelles Lambert S.A.
Banque Indosuez
BNP Capital Markets Limited
Cosmo Securities (Europe) Limited
County NatWest Limited
Kidder, Peabody International Limited
Kleinwort Benson Limited
KOKUSAI Europe Limited
Kyowa Bank Nederland N.V.
Merrill Lynch Capital Markets
Mitsui Finance International Limited
Morgan Grenfell & Co. Limited
New Japan Securities Europe Limited
Okasan International (Europe) Limited
Salomon Brothers International Limited
Sanwa International Limited
Swiss Volksbank
Westdeutsche Landesbank Girozentrale

Spain's tobacco monopoly has begun to diversify. **Tom Burns** reports

Tabacalera acquires a new image

CONVENTIONAL wisdom had it that the big Spanish monopolies, nurtured in the warm atmosphere of state protectionism, would catch the corporate equivalent of pneumonia the moment they were exposed to the cold, competitive winds of the European Comunity.

Tabacalera, the Spanish tobacco monopoly, is determined to disprove such doom-laden projections.

Riding high on the crest of a joint venture with Nabisco Brands España, the Spanish arm of R. J. R. Nabisco, the US multinational, Tabacalera is awash with cash and grooming itself for further diversification.

Tabacalera's position as Spain's monopoly supplier came to an end in January 1986 when the country joined the European Community and agreed to a steady dismantling of tobacco trade barriers.

This has forced the company to acquire new skills and new partners, of which the Pta 6.2bn ($51m) deal giving Tabacalera a half share in Nabisco Brands Espana and taking it into food processing, is perhaps the culmination.

For RJR Nabisco the deal, announced earlier this year, provides entry into the Spanish market in partnership with a well-entrenched domestic company with an unparalleled national distribution system and — through the state parentage — close links with the administration.

Above all the venture gives RJR Nabisco a distinct edge in the race for a major foreign stake in Spain's rich agribusiness.

Under the terms of Spain's entry to the EC, an import quota of 150m packets of cigarettes was agreed, with the figure increasing by 20 per cent every year until 1992 when the Spanish tobacco market, like all others in Spain, would become fully liberalised.

Tabacalera, its morale bolstered by strong profits, is ready to meet head on the competition arising from Spain's admission to the EC

Of all the European industries that have been spilling into Spain in the wake of the tumbling tariff barriers, the tobacco companies have perhaps been the least successful in gaining local market share.

Despite an aggressive advertising campaign only 15m packets of non-Spainsh cigarettes are being sold, a tenth of the agreed first-year quota and only a sixth of Tabacalera's own export volume.

In part, this experience has shown just how entrenched the Spanish tobacco market is. But it also reflects the painstaking planning with which Tabacalera anticipated the effects of EC membership.

It avoided the main pitfall of a monopoly company when it began, a decade ago, to develop a range of products that kept pace with Spain's growing prosperity and evolving taste.

Last year Tabacalera was almost embarrassingly healthy, lifting profits by 300 per cent to Pta 5.8bn on sales of Pta 326bn. Company executives expect even better results in 1987 following profits of Pta 2.2bn in the first quarter.

The RJR Nabisco joint venture is Tabacalera's first major move away from tobacco and the group intends to move slowly in its new trading area.

A "step by step" approach—as Mr Manuel Gago, Tabacalera's senior development executive, puts it — is very much a byword in the company. There is talk in Madrid that about 150 potential acquisitions have come under Tabacalera's scrutiny but there is no rush to buy.

Mr Gago says: "We are not interested in just acquiring food processing companies. We want to buy businessmen, managers and know how. We want to learn."

The real challenge is to inject an entrepreneurial spirit into the company for, as Mr Gago says somewhat regretfully, "living under a state umbrella is part of our culture."

Rubbing shoulders with the giants of BAT, Reynolds and the rest has created in Tabacalera a fixation about multinationalism. It is listed on the Madrid bourse and about 16 per cent of its shares are foreign owned. The Spanish Government has a controlling 50 per cent stake.

It took a step towards internationalisation earlier this year when it bought a 24 per cent stake in Tobacos de Filipinas, a Spanish trading company and a major Tabacalera supplier.

An attempt to move into the wine sector was rebuffed in June when Tabacalera narrowly failed to acquire the Williams and Humbert sherry company.

While future assaults on beverages are not ruled out, the company is currently concentrating on the transformation of cereals, according to the guidelines of the Nabisco agreement, to produce biscuits and snacks.

At the same time it is anxious to capitalise on a overhaul of its distribution network, involving computerisation and the replacement of a staggering 570 local storage centres by just seven strategically located and massive warehouses, to move strongly into the distribution sector.

The company, which makes no bones about group plans to move into financial services, forecasts that within the next decade just 50 per cent of Tabacalera's revenue will be based on tobacco.

BSN cements shareholding link with Agnellis

By George Graham in Paris

BSN, the leading French foods group, has cemented its alliance with the Italian Agnelli family through an exchange of shareholdings.

The two groups, which teamed up in January to buy the San Gemini/Ferrarelle mineral water concern, plan further joint acquisitions in the Italian foods and drink industries, in the wake of their FFr 800m ($133m) cross shareholdings.

Mr Antoine Riboud, BSN chairman, said yesterday that his company had needed a local partner to make headway in Italy.

The successful co-operation on the San Gemini acquisition had led to discussions on further purchases and on the exchange of share stakes, he said.

"In countries like Italy and Spain you need a godfather, and we decided to choose the best godfather possible," he said.

The Agnelli family will take a holding of just over 4 per cent in BSN, while the French group will take 20 per cent in Ifil Partecipazione, an Agnelli family holding company which controls 6.7 per cent of the Fiat motor group.

The transaction will involve Ifil subscribing to 223,000 new BSN shares.

The deal creates a bridgehead for BSN into the Italian foods sector, where it has recently been expanding its pasta interests. It brings Mr Riboud face to face with Mr Carlo de Benedetti, viewed as a threat by BSN since he snatched the Buitoni food company from under its nose in 1985.

Mr Riboud said the cross shareholdings avoided conflicts of interest when looking for future acquisitions, and gave him "his Italian passport." BSN and Ifil would each be likely to take 50 per cent in any future purchases, as they had done with San Gemini.

had done with San Gemini.

It also enlarged BSN's core of friendly shareholders, which already includes investors in Spain and Belgium, he said. Mr Umberto Agnelli will join the BSN board.

World Bank launches five year Y50bn offering

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

THE WORLD BANK plunged into the turbulent waters of the Japanese yen bond market yesterday, launching a Y50bn issue carrying a five-year maturity.

The issue, led by Nomura International, is the first in such size in the sector since June and carried a 5¼ per cent coupon. It is priced at 101.

The yen bond market has been extremely shaky for some months, its latest declines sparked off by disclosures last week of heavy losses in bond futures trading by Tateho Chemical Industries.

Yesterday, though, the market stabilised and Nomura launched the issue it was thought to have held off from bringing on Wednesday.

The chances of success were enhanced by what was agreed to be a fair pricing, and a five-year maturity, which was widely thought to be shorter than the seven-year maturity the borrower had originally requested.

Reflecting that, the issue was quoted at a discount less than its fees of 1⅞ point, although there were reports of scattered trades outside that level.

The issue prompted some selling by retail accounts in the five- and six-year area, but otherwise prices in the Euroyen sector were little changed on Wednesday. Yields in the Japanese government bond market, meanwhile, fell slightly to be quoted around 5.49 per cent late yesterday against 5.47 per cent the day before.

Nevertheless, attitudes to the yen market remain cautious both in Japan, where worries about inflation persist and institutions are taking a low profile ahead of the end of their accounting half-year, and in Europe, where investors have been selling Euroyen paper over recent weeks.

Dollar bonds, too, staged a short covering rally, thanks to some rebound of the dollar on the foreign exchanges. But activity was slow with the market transfixed by the US trade figures for July due today. Forecasts centre on a deficit similar to June's of $15.7bn.

INTERNATIONAL BONDS

The uncertainty following the sharp market declines of the last week or so could be the main reason why a widely-expected $1bn bond for Italy has not yet been brought to market.

The talk suggested that a fixed-rate bond with a three-year maturity at 55-60 basis points over the equivalent US Treasury bond would be launched by Monday night, but Credit Suisse First Boston, the expected lead manager, would not comment.

Dealers said that only such a short maturity could be expected to find demand in current market conditions, but if it were launched it would probably have been substantially preplaced. They said many European fund managers were cash-rich because they have stood back from the fixed-interest markets for some months now.

That said, there were still predictions that retail demand would not return to the dollar bond markets until US Treasury yields passed 10 per cent. The 30-year bond was yielding 9.58 per cent late yesterday afternoon after the day's rally.

In the West German market, prices also rallied, by about ¼ point on average. Much of this was due to short covering, although some retail investors were said to have emerged.

The Swiss foreign bond market was again mixed in quiet trading, while in the domestic bond market the average yield rose one basis point to 4.32 per cent.

A SFr 150m issue for Statoil, carrying a 5 per cent coupon and 16-year maturity, closed its first day's trading at 95½, 4½ points below its issue price.

Compagnie Bancaire, the French financing company, launched a SFr 120m, five-year private placement with a 4½ per cent coupon and a price of 100½ through Banque Paribas (Suisse).

In French francs, Caisse Nationale des Telecommunications launched a FFr 400m issue maturing in 1996 with a variable rate coupon, currently at 8.79 per cent, and a price of 101. The lead manager is Credit Commercial de France, and the issue is fungible with FFr 600m of bonds issued in May 1986.

In London, an equity warrants issue was launched for Tokyo Rakutenchi, a department store and cinema. The $25m deal, guaranteed by Mitsui Bank, carried a five-year maturity and an indicated 3¼ per cent coupon and was led by Daiwa Europe.

CGE to buy copper wire operation from Thomson

BY GEORGE GRAHAM IN PARIS

CGE, the recently privatised French telecommunications and engineering group, is to buy the copper wire operations of Thomson, the electronics company still under the wing of the French state.

Mr Pierre Suard, chairman of CGE, said the acquisition was an important step towards the integration of the group's cable production activities.

The group has also announced plans to sell Ceraver, its glass insulator subsidiary, to Fidenza Vetraria, offshoot of the Italian group Participazione Finanziere e Industriali (PAF).

CGE recently surprised French analysts by buying from Sir James Goldsmith his controlling stake in the financial holding company Generale Occidentale, but Mr Suard said the purchase of Thomson Culvre showed it was still interested in mature industries.

Thomson Culvre, together with Cableries de Lens, CGE's existing copper wire operation, will give the group total production capacity of 280,000 tonnes a year, making it one of the world's leading producers.

Because of copper supply agreements with Chile and Zambia, which give the two countries the right to market some of the production, CGE will only control about 160,000 tonnes a year of the copper wire output.

Fermenta share trading on Stockholm market halted

BY SARA WEBB IN STOCKHOLM

FERMENTA, the embattled Swedish antibiotics and chemicals group, yesterday halted trading in its shares on the unofficial market in Stockholm. It said further information would be provided on Monday, if not before.

Fermenta's management has continued to hold discussions with representatives of Trans-Resources (TRI), the privately-owned US holding company which two weeks ago abandoned its planned SKr 1.38bn ($217m) bid to take over Fermenta.

The takeover plan, which would have made the company's future uncertain, met with opposition from PKbanken and Svenska Handelsbanken, which objected to TRI's proposed methods of repaying Fermenta's bank loans.

Fermenta said yesterday that it was still "willing to listen to what TRI has to say" and admitted the US holding company was interested in acquiring a large part of Fermenta.

One possibility is that TRI could try to buy all of Fermenta's factories and subsidiaries without buying shares

The company said that the halt in trading was not connected to "any financial difficulties." Fermenta was saved from the brink of financial collapse earlier this year after a new share issue raised SKr 595m.

Landis seeks Swiss financier's help

BY WILLIAM DULLFORCE IN GENEVA

AN INVITATION has been extended to Dr Stephan Schmidheiny, the industrialist and financier, to help solve family ownership problems in Landis and Gyr, the Swiss electronics and machinery company, which has just made a $132.5m offer for the larger part of Mark Controls Corporation of the US.

Mr Heinz Hertach, Landis' general secretary, said the possibility that Dr Schmidheiny's Anova group would take a shareholding in Landis was being discussed.

The Gyr family owns a controlling stake of about 60 per cent in Landis. None of the founder's three daughters or grandchildren is currently active in the group, which underwent a senior management change and structural reorganisation two years ago.

Dr Schmidheiny, already a Landis board member, has played an important role in restructuring Swiss industry in recent years.

Norway restricts brokers in options dealing

By Karen Fossli in Oslo

NORWAY'S Ministry of Finance is restricting the growth of the fledgling Norwegian options markets by phohibiting brokers from participating until rules governing trading are established.

Two options markets—the Norwegian Options Market (NOM) and the Oslo Clearing Corporation — were recently established in Norway although the Oslo Clearing Corporation is the only one to begin trading.

NOM says it will commence trading after the new regulations have been spelt out, early in 1988.

The ministry says its move is in accordance with an Oslo bourse request made earlier this year, when a committee was formed to study the options market and make recommendations to the ministry.

It would like to see the level of activity for options trading limited to private deals made with private investors, the ministry says.

The consequences of the move for the Oslo Clearing Corporation could be "hefty," the company said. It plans to meet ministry officials on Monday.

The Oslo bourse was invited by NOM to take a stake in the new market and monitor regulatory aspects. The Norwegian Brokers Association has a 45 per cent stake in NOM.

Alfa-Laval buys UK groups

By Our Stockholm Staff

ALFA-LAVAL, the Swedish dairy equipment and process engineering group, has acquired three UK flow equipment manufacturers and an affiliated US sales company from Gallaher of the UK for an undisclosed sum.

The acquisitions are intended to strengthen Alfa-Laval's position in the UK flow equipment market—where it already has a small presence —and add a complementary range of pumps, valves and fittings for water and sewage treatment plants.

Alfa-Laval said it would add Saunders Valve Co, SSP Pumps, and MGI, the Chicago-based sales and service company, to its existing flow equipment business division.

The three acquisitions are expected to lift sales at the flow equipment division by 50 per cent, to SKr 1.2bn ($189m).

MPL Pumps, which makes dosing pumps and has annual sales of about SKr 30m, will be added to Alfa-Laval's dosing and analysing technology division.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 10

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.97
All Nippon Air 9⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.39
American Brands 8⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.97
A/S Eksportfinans 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.06
A/S Eksportfinans 7¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.82
BP Capital 9⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.29
British Telecom 7⅞ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.34
British Telecom 8⅞ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.06
Campbell Soup 10⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.17
Canada 9 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.02
Canadian Pac. 10⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.22
CCCE 7⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.85
CNCA 7⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.75
Chicorp 8⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.17
Credit Lyonnais 9 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.54
Credit National 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.72
Credit National 7⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.80
Denmark Kingdom 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.01
Denmark Kingdom 8⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.59
EEC 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.46
EEC 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.86
EEC 8⅞ 96	[illegible]	[illegible]	[illegible]	+1	[illegible]	10.22
EIB 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.09
EIB 9⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.37
Finland 7⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.54
Finland 7½ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.99
Ford Motor Cred. 10⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.72
Ford Motor Cred. 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.40
Gen. Elec. Cred. 10⅞ 00	[illegible]	[illegible]	102	[illegible]	[illegible]	9.51
GMAC 8⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.39
Hoesch 8⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.08
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ashikaga Bank 2⅞ 02	[illegible]	[illegible]	[illegible]	[illegible]	0	41.22
Asics 5 92 DM	[illegible]	472	[illegible]	[illegible]	[illegible]	−5.07
CBS Inc. 5 02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.46
Chiba Bank 2⅞ 02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	21.59
Fuji Hvy. Inds. 3 00	[illegible]	676	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu 3 99	[illegible]	1109	[illegible]	[illegible]	[illegible]	1.57
Gunma Bank 2⅞ 02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.35
Minolta Camera 2¾ 94 DM	[illegible]	1105	[illegible]	[illegible]	[illegible]	−6.46
Mitsui Trust 2⅞ 01	[illegible]	[illegible]	[illegible]	[illegible]	0	58.96
Murata 3½ 00	[illegible]	[illegible]	135	137	[illegible]	−2.06
Nippon Elec. 2⅞ 00	[illegible]	1215	[illegible]	[illegible]	[illegible]	3.93
OKI Elec Ind. 3½ 99	[illegible]	[illegible]	275	276	[illegible]	2.30
Omron Tateisi 2⅞ 02	[illegible]	1350	[illegible]	[illegible]	−1	[illegible]
Redland 7¼ 02 £	[illegible]	5.5	[illegible]	[illegible]	[illegible]	5.35
Yokohama Bank of 2⅞ 01	[illegible]	[illegible]	163	165	−5	[illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

THE PROPERTY MARKET

Pavilioned in splendour

By William Cochrane

This week has seen property men queueing up to report progress on leisure and specialist retailing developments in London's West End.

Two of the stories concerned three key sites adjoining each other on a triangular patch bounded by Piccadilly Circus, Shaftesbury Avenue, Wardour Street and Coventry Street which add up to a little over three acres and a present investment value of well over £100m.

This value was shown by the sale announced on Monday of The Trocadero and a neighbouring island site to Brent Walker, the fast-growing leisure and property development company, for a cash consideration of £90m.

This may be seen as a blessed relief by the vendors and developers, Electricity Supply Nominees (ESN), the electricity supply industry's pension fund, which is suing Richard Ellis chartered surveyors alleging negligent advice on the development.

It is certainly welcomed as a ray of sunshine at Ellis itself. Sources close to the firm are saying that the all up cost to ESN of both sites, including land, construction and interest, was £80m.

At the apex of the triangle is the relatively small London Pavilion, erected as a theatre in 1885 and used over the years as a live theatre, a musical hall and a cinema.

Detailed plans for the Pavilion were disclosed sixteen months ago. Since then, the development programme has gone ahead so well that the building could be completed next March or April and open at the end of May or the beginning of June, four or five months ahead of target.

Joint developers of the Pavilion are Paul Marber's Grosvenor Square Properties, now a subsidiary of Associated British Ports, and restaurateurs Kennedy Brookes.

The triangular building will house three activities on seven levels. The top three floors will be devoted to a Rock Circus, a new exhibition by the Tussauds Group of the history of rock music from 1955 onwards.

On the second floor, Kennedy Brookes will operate a restaurant which, it says, will seat between 150 and 200 people and will open from 10 am until midnight.

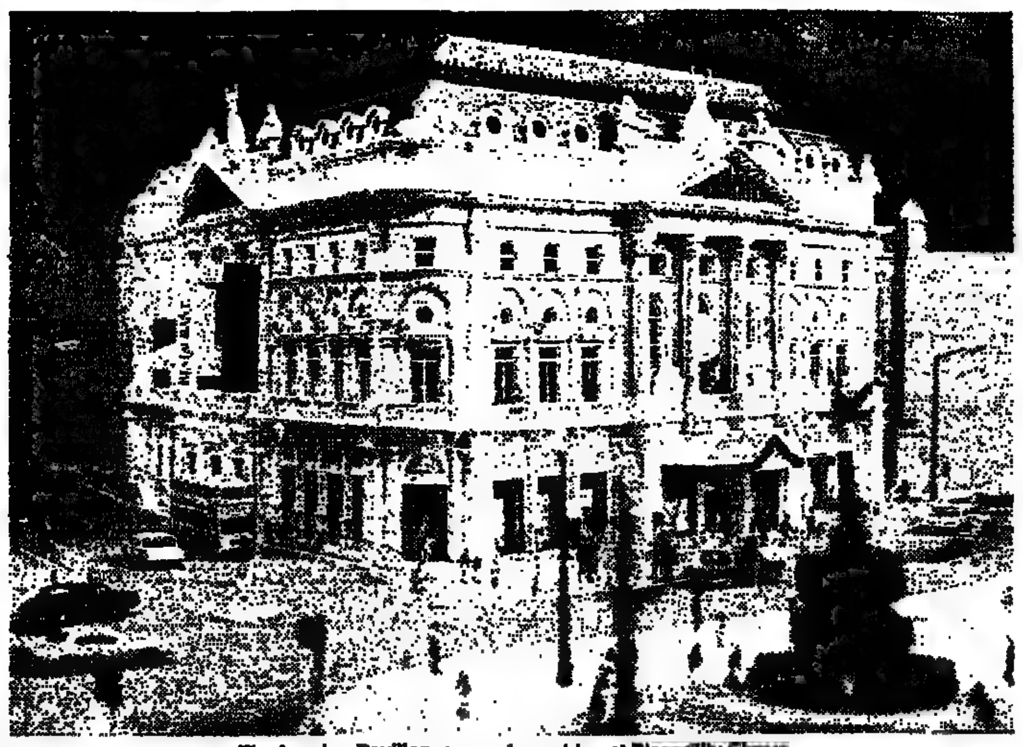
Meanwhile, on the concourse, ground and first floors, joint letting agents Edward Erdman and Anthony Green & Spencer are marketing 14,000 sq ft net of retailing in 29 shops averaging between 400 and 500 sq ft of space each.

The whole building only adds up to 56,000 sq ft gross but Charles Varah, an associate at Erdman, reckons it is a pivotal location, offering access by underground concourse not only to Piccadilly underground station but also to The Trocadero, the Criterion to the south, and the new pedestrian area around the statue of Eros.

The Pavilion's retailing is expected to make a strong, and highly individual showing, something which has not been an obvious characteristic of the area in the past - at least where comparison shopping has been concerned.

"Piccadilly and Leicester Square, historically, have not been regarded as retailing centres in the same context as, say, Oxford Street," says Mr Varah. Retailers themselves, in the past, have argued that the image of Soho, and hopelessly congested traffic, have driven customers away.

However, Mr Edward Erdman himself, when he introduced the development sixteen months ago, said that he aimed to transcend that image - and, with architect Nigel Woolner of Chapman Taylor, to conceive the development on the lines of some of the fashionable shopping centres in the Champs Elysee in Paris.



The London Pavilion: a ray of sunshine at Piccadilly Circus

All this should boost the retail rents, the more esoteric aspects of which are discussed on the right. Basic rents are going to be around £150 a square foot for the ground floor, where terms have already been agreed with Body Shop, H. Samuel and Acsis Jewellery.

On the concourse, subject to both letting and merchandising problems, Mr Varah is looking for basic rents at about 80 per cent of ground floor level and has agreed terms on one unit, with Scribbler. The first floor, he says, will go at 50 to 60 per cent of ground floor rents.

Kennedy Brookes, meanwhile, says that it is very happy with this, its first high profile venture in property. It took over the London Pavilion plc two years ago for £2.4m; recruited Ivan Stephenson as property director - who had worked on a number of major sites in Piccadilly for Richard Ellis; and brought in Grosvenor Square Properties as 50 per cent shareholders and development managers.

Mr Stephenson said this week that the the estimated cost of the development, excluding the original acquisition cost but including finance and freehold, is expected to be around £16m. The expected rent roll has been estimated "very conservatively" at £1.3m.

Kennedy Brookes originally thought that the development might be worth £22m, prior to the conversion of the 150 year lease to freehold. Now, it says, on the basis of the Brent Walker purchase price for The Trocadero this figure seems "significantly undervalued".

Turning over a new lease

THE SHOPS in the London Pavilion are being let on turnover leases, in which the amount of rent payable will be related to the actual turnover achieved by the tenant.

This practice is common in the US and unusual in the UK, although Capital & Counties have pioneered it in their centres at Eldon Square, Newcastle and elsewhere - while coincidentally, ESN employed the turnover lease in letting some space at The Trocadero.

Ian Northen of Capital & Counties, writing last autumn in Shopping Centre Horizons, the journal of the British Council of Shopping Centres, said that a common criticism of turnover leases used to be that funding institutions were very conservative and would not like the additional risk of a shopping centre where income was subject to a degree of uncertainty.

He suspected, however, that the real problem was with the professional advisers: conservative valuation surveyors who were reluctant to get involved in new concepts; and ultra-conservative solicitors who could not find any precedents to assist them in the legal documentation.

Whatever the cause, some sales resistance exists, and the fact that the developers decided on turnover leases for the Pavilion a year ago suggests firstly that they know retailers badly want to get into these shops and secondly they see retailing being a gold mine in this location.

The way it will work in the Pavilion is that base rents will be payable quarterly in advance. If the agreed slice of turnover is higher than that, says Charles Varah of Edward Erdman, the retailer will be liable to make a top-up payment annually in arrears.

The base rent will be reviewed every five years. At the end of that time the rent will move to whichever is the greater of open market rental value or an agreed percentage of turnover, averaging the three best years of the previous five.

In determining the turnover rent, according to Ian Northen, the percentage should be varied from one type of retailing to another. A supermarket with high turnover and low margins might rate one or two per cent, while, on the other hand, a fashion trader with a high profit margin might pay 12 per cent.

Why turnover leases? Mr Northen said that they promote partnership between landlord and tenant, rather than confrontation; that tenants will not be chosen simply on their ability to pay the highest rent; and that both landlords and tenants will share in the success and the disappointments of trade fluctuations.

FOREIGN SHAREHOLDERS MOVE TO PERMITTED CEILING

Rolls-Royce profits up by 13%

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE, the aero-engine manufacturer, earned pre-tax *profits of £60m in the first half* of the current year, up £7m on the comparable £53m for the first half of 1986. Pre-tax profits for 1986 as a whole were £120m.

Announcing the result yesterday, Sir Francis Tombs, chairman, said that in the period (24 weeks) turnover was up by 15 per cent from £784m to £899m, while the operating profit of £152m showed a 28 per cent *gain from* last year's first half of £119m. The full 1986 operating profit was £278m.

The company, recently privatised, has not published half-year figures for many years. Sir Francis said that these first interim results "show steady progress, business continues at a satisfactory level, and future sales opportunities are plentiful."

Sir Francis said that when the company was privatised last May, it received net additional *capital of £277m*. At the end of the half-year the company had a net cash balance of £70m.

Commenting on the volume *of foreign* shareholdings in the company, Sir Francis said that at over 14 per cent it was now very close to the Government's imposed ceiling of 15 per cent, dominated, it was thought, by Japanese purchasers.

All shareholders were now close to paying the final instalment of 85p on their shares (by September 25).

The company was thus obliged to inform foreign shareholders that if after the final instalments had been paid the foreign holdings rose above the 15 per cent level, some would be required to sell their shares.

Rolls-Royce was happy with the 15 per cent ceiling, and had not asked, nor would it ask, the Government to increase it. Earlier this week, British Aerospace had indicated that it was in the same position with foreign holdings touching the 15 per cent ceiling, and that it would like to see that ceiling raised.

Commenting on research and development *spending*, up by £28m to £84m, Sir Francis said this was due partly to increased activity on a number of major ventures, especially the RB-211-524D4D engine.

Rolls-Royce is paying an interim dividend of 1.75p in early December to shareholders registered on November 6.

Earnings per 20p share were 8.6p (8.3p) on a nil distribution basis and 7.9p net basis.

Ensign sets up new trust and calls for £47m

By Nikki Tait

Ensign Trust, the aggressive investment trust controlled by the Merchant Navy Officers Pension Fund, is to move its £65m portfolio of unquoted and development capital investments in non-European and non-UK *companies into a* new investment trust vehicle. It is also asking shareholders to put in a further £47m by way of a rights issue of the new trust's shares.

The new trust, initially worth £112m, will be called CDFC Trust, and its shares will be listed on the main market. Ensign boosted its involvement on the unquoted investment side when it acquired Commonwealth Development Finance Company last year; CDFC's investments have subsequently been amalgamated *with* Ensign's, as the management team.

The eleven largest holdings will account for two-thirds of *the portfolio transferred* and they include a 6.5 per cent stake in Berkley Govett, 40 per cent of Swire Aviation, and interests in Transcontinental Services, CDFC-Berkley and the India Fund.

In return for the portfolio, Ensign will get a 51 per cent stake in both the new trust's ordinary shares and its 6½ per cent convertible unsecured loan stock.

The rights issue involves a further 49m ordinary shares—being offered at 70.2p, or 85 per cent of the attributable net asset value of the trust after the rights issue—and £14.7m of loan stock being offered at par. The new securities are being sold in "units"; each one consists of 10 CDFC Trust shares and £3 nominal of loan stock. Shareholders are entitled to 1.667975 units for every 100 ordinary or "B" ordinary shares held.

The major shareholder in Ensign is the Merchant Navy Officers Pension Fund, with about 80 per cent of the shares. *It will take up its* rights in respect of 60 per cent of its shares, giving it 24 per cent of CDFC. The balance of the entitlement will be placed.

Rowntree lifts interim profits by 83% to £38m

Rowntree, the York-based confectionery manufacturer, exceeded market expectations by increasing pre-tax profits by 83 per cent from £20.8m to £38.1m for the 24 weeks to June 20.

The directors said that confectionery profits (without the Sunmark US candy business acquired last autumn) rose 52 per cent.

The most profitable single market for Rowntree's products, which include snack foods and grocery products, continues to be the UK which contributed trading profit of £21.8m (£18.5m) but the rate of growth was much faster in North America where profits almost doubled to £15.7m (£8.1m). Europe returned a profit of £4m compared with a loss of *£600,000 for* the corresponding period last year.

Earnings per 50p share were increased to 13.9 (9.1p) and the directors declared an interim dividend of 5p (4.4p).

Turnover for the group (formerly Rowntree Mackintosh) was up by 22 per cent to £609.2m (£500.2m), the UK contributing £231.3m (£213.9m), North America £182.3m (£125.9m), Europe £138m (£107.8m) and the rest of *the world £57.6m (£53.2m)*.

Mr Kenneth Dixon, chairman, said the half-year had been one of the strongest in the group's trading history.

"Confectionery performed well," he said. "There was growth in sales and profits, and we achieved satisfactory market share increases in the UK and elsewhere.

"In continental Europe the strong 1986 performance continued with *sales volumes* in the biggest markets, Germany and France, 18 per cent and 10 per cent higher respectively. Sunmark, our US candy business, made a first-time contribution of £9m and has fulfilled all our expectations."

Mr Dixon said that the snack food operations on both sides *of the Atlantic increased sales* although margins were restrained by competition. Sun-Pat, the UK grocery business, which now included Gale's honey, continued its sales and profit growth.

The increase in earnings per share reflected an encouraging group trading performance, which supported the directors expectations of good results for the full year.

Taxation amounted to £8.3m (£4.8m) and interest paid was slightly lower at £8.5m (£9.1m). Attributable profit came to £29.8m (£16m).

See Lex

Revised bid document for Buckley's

By Nikki Tait

MR PETER CLOWES and Mr Guy Cramer—the two directors of financial services group, James Ferguson, who have mounted a £28.1m hostile *bid* for Buckley's Brewery—yesterday published their revised offer document and *claimed that they have* a sizeable expansion programme in view for the small Welsh brewer.

To finance the expansion—at a possible cost of £10m over two years—Mr Cramer said yesterday that he envisaged acquisitions, first for paper, and then perhaps subsequent fund-raising via a rights issue. If successful, the two men plan to retain a controlling stake in Buckley's but place out enough shares to retain the listing.

The new offer document, however, was immediately dismissed by Buckley's as "very predictable—it adds nothing and is still very lightweight." In particular, Buckley's continues to express *its qualms* about the financing of the offer and the ability/experience of the two men in managing a *brewery*.

Mr Clowes and Mr Cramer have taken their stake in Buckley's to around 31.5 per cent. Yesterday, Mr Cramer said he hoped to be back in touch with Whitbread which holds 21.7 per cent; Whitbread Investment Trust has a further 6 per cent.

London United rises to £5.3m

BY NICK BUNKER

LONDON United Investments, the specialist insurance group, achieved a 29 per cent jump in first half pre-tax profits to £5.33m, after a big increase in turnover from £37.4m to £56.6m.

The turnover growth was partly due to the impact of a £24m rights issue in July 1986, *which allowed Walbrook*, London United's underwriting subsidiary, to take on more business.

ondon United declared an interim dividend up 15 per cent at 7.5p. The shares closed 2p down at 763p.

The group's operating profits *for the six months* to June 30 *rose from* £5.3m to £7.3m before an unexpectedly high 39 per cent increase in overheads *from* £1.2m to £1.67m. ondon United also had to take £840,000 in losses made by associate companies.

After-tax profits grew 31 per cent to £3.27m. Earnings per *share fell from* 14.91p to 14.76p, because of the greater number of shares in issue following the *July 1986 cash-call*.

London United also announced that it was making a three - for - two capitalisation issue of 34,835,291 new shares.

● comment

Little known among investors, London United is now a bigger name than Lloyd's among the risk managers of the Fortune 500 US corporations to which it supplies excess liability insurance. The interim figures rarely do justice to the group, because it books most of its income in the second half. So *its 29 per cent pre-tax profits* increase was a worthy achievement, especially since overheads were boosted by a move to new office space and by interest cost of a £10m loan from Royal Bank of Scotland. In the second half, the group can look forward to the first six months earnings from Anglo-American, its underwriting joint venture with CalFed, a US thrift institution. On a forecast full-year pre-tax figure of £24m, the shares are trading at a prospective p/e of 11.3: still cheap.

Oldham's assets get boost

BY WILLIAM COCHRANE

ONLY TWO days after an independent property valuation at Oldham Estates *took* a sizeable chunk out of reported assets, an up-to-date valuation by the company's own valuers, Bernard Thorpe and Partners, has sent the figure soaring ahead again.

The Oldham board committee advising shareholders on the MEPC takeover bid for the company says that the revaluation leaves assets at £654m or 195.4p per share, an increase of 32.1 per cent in ten months over the last balance sheet figure of 147.2p. Two days ago, a revaluation of Oldham's investment properties for the purposes of the *MEPC* bid indicated net assets per share of 117p at September 30, 1986.

A note from the commitee's merchant bankers, Schroders, explains some of the discrepancy. The up-to-date asset value, it says, includes the revaluation of development properties, *the benefit to Oldham of* its existing low-cost funding arrangement, retained earnings in the ten months to end-July and an increase in the interest held by Oldham in a subsidiary not wholly-owned.

The balance sheet net asset value at September 30 1986, it adds, included development properties at cost, not value, and took no account of the benefit to Oldham of its low-cost funding arrangements.

The committee also says that conditions have changed in the property market since last September. *It says* that the market has been buoyant in general and rising particularly in central London, where a large *part of the* Oldham *portfolio* is concentrated.

It describes the asset value resulting from the Debenham Tewson and Chinnocks valuation as "*surprisingly low*," and implies that it is virtually irrelevant, given the amount of time which has elapsed since its base date.

It says that it will be writing to Oldham shareholders shortly, advising them as to whether the yshould accept the offer. It says that its advice to shareholders will be influenced by MEPC appearing to have secured control of Oldham "on terms which are disadvantageous to Oldham shareholders."

In the City last night, the interpretation of this last remark is that Mr Hyams will still refuse to accept the offer *for his* 30 per cent holding which, with MEPC already owning *68.9* per cent, *represents* nearly all of the shares outstanding.

Acorn shares plunge on interim loss of £1.4m

BY FIONA THOMPSON

Acorn Computer shares plunged 11p to 53p yesterday when the company reported an interim *pre-tax loss of £1.38m for the* six months to June 30 1987.

Mr Brian Long, managing director, said the loss was because the company bore all the production and launch costs of its new Archimedes computer system during the period without receiving any revenue from the new product, which went on sale at the end of June.

Also, receipts from the Master series of microcomputers slipped during the second quarter as customers waited for the new product.

Acorn, based in Cambridge, *was rescued* by Olivetti after a sales slump in 1985 and the Italian company has an 80 per cent stake.

The company made a loss in the first half last year of £140,000 on sales of £19.6m, though by year-end it had returned to profit of £1m on sales of £46.6m. Turnover this time is £19m. The loss per share is 2.1p against last time's loss of 0.2p. The company is once again not paying a dividend.

Holmes and Marchant shares slip back 25p

By David Waller

Shares in Holmes and Marchant, the below-the-line marketing consultant, slumped yesterday after the company issued a statement saying that full-year profits would be less than expected.

It gave three reasons for this: the move of two of its divisions to new premises during the second *half*; investment in new computerised design equipment; and the deferral of expenditure by *certain clients*

"The initial impact on profits in the current year will be greater than expected."

The shares fell by 25p to 415p, and analysts downgraded their full-year forecasts from £3.1-£3.2m to about £2.7m.

Continental Microwave ahead

All-round growth at Continental Microwave (Holdings), USM-quoted specialist in microwave technology, helped taxable profits to jump from £963,000 to £1.26m in the year to June 30 1987. Turnover moved up from £10.98m to £14.55m.

The directors proposed a final dividend of 1.8p, making a total of 2.8p for the year. Last time Continental paid an adjusted final of 1.375p for a total of 2.25p. After higher tax of £429,000 (£416,000), earnings *per 25p ordinary share* rose from 87p to 12.6p or from 9.2p to 12.5p on a fully diluted basis.

The chairman said that he foresaw continued growth

Viking Packaging

Shares in Viking Packaging fell 25p to 195p yesterday after the company said pre-tax profits this year would be lower than those for last because of increases in raw material costs.

Viking, which joined the main market in January, made pre-tax profits of £1.27m for the year to the end of last September. Its latest figures, for the half year to the end of March, showed profits up 25 per cent at £576,000.

Investment checks Isotron advance

Isotron, gamma radiation services, reported a slight improvement in pre-tax profits from £1.48m to £1.58m for the 12 months to June 30.

The check to Isotron's advance was due to substantial cash investment during the year in the building of the new processing *plant* at Daventry with a resultant reduction from £236,000 to £121,600 in interest income.

Turnover rose from £3.14m to £3.53m and the operating profit from £1.25m to £1.46m. Tax of £470,000 (£429,000) left earnings per share of 9p (8.5p).

A final dividend of 1.2p (1p) makes a total of 1.8p (1.5p).

Richardsons buys John Holt

Richardsons Westgarth, engineer and stockholder, is buying John O Holt, steel stockholder, and selling its central heating distribution business, Burgess Heating Merchants. It has also revealed taxable profits up from £25,000 to £90,000 in the first half of the year.

The consideration for Holt will be satisfied by the allotment of up to 5.45m new shares *in Richardsons together with a* payment of £40,000 cash. Depending on whether profits at Holt for 1987 equal or exceed *£500,000 the maximum* consideration will amount to about £4.8m and the minimum to £3.8m.

Mr David Burnet, Richardsons chairman, said: "This is the acquisition we have been seeking. Holt represents an exciting step in the development of Richardsons steel stockholding business at a time when the overall business environment for steel stockholding is favourable."

Since the end of 1984 profits at Holt have risen from £137,000 to £309,000 for the first half of 1987. Net assets at the end of the first half totalled £1.02m.

Richardsons has sold Burgess to Parkfield Group, an engineering and distribution group, for a total consideration expected to total about £850,000 in cash. Parkfield has agreed *to repay inter-group debt of* about £300,000 and has also assumed bank debt of about £600,000. After the disposal *Richardsons' consolidated net* cash balance will increase by about £1.7m.

"Burgess is not of an adequate size *on its own*, to achieve the economies of scale necessary to show a satisfactory performance," Mr Burnet said.

Mr Burnet said that Richardsons' improvement was due to a 25 per cent increase in profits in the steel stockholding subsidiaries, a reduction of losses in the central heating and plumbing subsidiary, and the replacement of bank borrowings with cash on deposit.

In the six months to June 30 *Richardsons' turnover fell from* £7.55m to £5.16m, Earnings per share rose from 0.2p to 0.7p. Mr Burnet said that the company expected *to resume* the payment of dividends with a final for 1987.

BOARD MEETINGS

TODAY

Interims: Allied Insurance Brokers, Aurora, Charles Baynes, Delta, KCA Drilling, Systems Reliability.

Finals: *Intereurope Technology Services*, Pacific Sales.

FUTURE DATES

Interims—	
Candover Investments	Sept 16
Chepstow Racecourse	Sept 22
Christies International	Sept 22
Clifford's Dairies	Sept 24
East Lancashire Paper	Sept 21
Evered	Sept 24
Garton Engineering	Sept 17
Jacob (W. and R.)	Oct 1
London and Manchester	Oct 5
Magnolia (Mouldings)	Sept 15
Marshalls Universal	Sept 21
McLaughlin and Harvey	Sept 16
Miss World	Sept 16
Pittard	Sept 16
Shires Investment	Sept 15
Senior Engineering	Sept 22
Stag Furniture	Sept 22
Travis and Arnold	Sept 15
UCL	Sept 16
Finals—	
Benchmark	Sept 15
Broadcast Communications	*Sept 18*

UK COMPANY NEWS

Guinness Peat responds to Equiticorp

By Terry Povey

Guiness Peat Group yesterday gave itsmeasured response to the hostile £338m bid from New Zealand's Equiticorp. Forecasting pre-tax profits of £30m for the year to September, up from the £18m profit reported in 1986, GP said the 110p-share offer ignored the real value and prospects of the banking and investment group.

"This is an opportunistic attempt to seize control of GPG on the cheap," said the UK group. Mr Michael Kerr-Dineen, managing director, said that the forecast had been made after pre-tax provisions of £9m for bad debts and expected property losses.

An extraordinary debit of £3¼m to cover the closure of Guinness Mahon Singapore and the £1m cost of the recently abandoned management buy-in scheme for the merchant bank would also be made.

Equiticorp described the forecast as "disappointing." "This is a little below the earlier profits' forecasts of many brokers and once the Forstmann-Leff acquisition, made at the start of this financial year, is factored in a more valid comparison would to £26m not £18m."

The GPG defence document claimed that Equiticorp had contributed nothing to the group since obtaining two board seats and have now been asked to resign, and that the New Zealanders had said nothing about their future intentions.

Expressing surprise at the first allegation, Mr Peter Hunt of Equiticorp said that there had bee nno board meetings that it would have been proper for them to attend in the two months since they had won representation. "However, we have made one important contribution—we saved GPG a lot of money by successfully blocking the Guinness Mahon deal."

With the argument between both sides now centring manily on value, one banking analyst commented that "the most important thin gis that earnings this year are likel yto rise 40 per cent to 8½p a share." At this level the bid represents a multiple of "only 13 times this year's earnings."

All-round growth helps Cookson to £69m midway

ALL DIVISIONS of Cookson Group, which manufactures specialist materials for use in industry, contributed to the record interim results announced *yesterday. Pre-tax profits* for the half year to June 30 advanced from £43m to £68.8m, in increase of 60 per cent compared with the 27 per cent improvement from £458.3m to £582.3m in turnover.

Mr Ian Butler, chairman, said better results were achieved by the businesses in the new Cookson Metals & Chemicals division, formed recently by the merging of the materials and the Fry divisions.

A generally higher level of metal prices was favourable factor, while further significant progress was made in the lithographic plate business and useful contributions were made by most of the recent acquisitions in that division.

The chairman concluded that the successful rights issue in February 1987, as well as helping to contain interest costs, had enabled the group to make additional strategic acquisitions. The latter included the remaining 50 per cent of Vesuvius, completed at end-June 1987, and the international operations of Plibrico, expected to be completed shortly, and those should further contribute to group profitability.

The group operating profit for the period was up from £515.5m to £73.5m, of which the share of profits of related companies rose from £28.9m to £45.7m. Interest payable was down from £8.5m to £4.7m, tax charged was £25.6m (£16m) and minorities £300,000 (same). There was a debit of £500,000 (£2.8m debit) for extraordinary items and additional depreciation on current values of fixed assets of group companies was again £2.9m.

Stated earnings per share were 28p compared with 18.8p, adjusted for the rights issue.

The interim dividend is increased from 2.75p to 4p; last year's total payment was 8.75.

GEC calls off partial offer for PFPUT

By Nikki Tait

GEC Pension Fund yesterday *abandoned its partial offer for* 51 per cent of Pension Fund Property Unit Trust, the £323m property investment vehicle the future of which has been in the balance for six months.

Warburg Securities, which attempted to pick up units on behalf of the pension fund on Wednesday, said last night that the offer had not been reopened yesterday and was now withdrawn. Warburgs had been offering £3,150-£3,200 per unit.

That appeared to be slightly below the estimated minimum of £3,251 which unit holders are being offered following a bid by Mountleigh, the fast-growing property group, to buy the portfolio for £263m. Unit holders are due to vote on Monday on the Mountleigh deal, which has the backing of PFPUT's committee of management.

However, the GEC pension fund had argued that its offer represented money immediately, whereas the Mountleigh deal involved a payout in October and a very small proportion of the total sum delayed even after that.

Yesterday, however, Mountleigh undertook to indemnify PFPUT's trustees against an unexpected (and unlikely) overrun on the cost of liquidating the fund, thereby allowing unith olders to receive the bulk of the money offered—£3,200 a unit—on September 29. Any balance over that—previously estimated at £51 per unit—would then be paid as soon as practical.

Yesterday Mr Tony Clegg, Mountleigh's chairman, said he believed that the estimate was on the conservative side and the total payment would ultimately exceed £3,251.

Pleasurama unveils Earl deal

BY CLAY HARRIS

PROFIT-LINKED options could allow Mr Robert Earl nearly to treble his investment in a new US company to be set up after Pleasurama, the casino and hotel operator, takes over President Entertainments, the restaurant group of which he is chairman and managing director.

Based on the formula published in the offer document for the recommended £63m bid, Pleasurama would buy out Mr Earl's minority in the new company for a maximum of £9.5m after 1992. (See table).

To achieve this, the new company — which initially will hold President's existing US *assets, five theme restaurants* in Orlando, Florida — would have to increase pre-tax profits by 40 per cent each year until 1992 (or by that compound growth rate over the same period).

This growth rate would allow Mr Earl, who will initially invest £2m in cash for a 12.5 per cent stake, to exercise options to raise the holding to 20 per cent (and his total outlay to £3.2m).

Mr Earl will also receive a 5 per cent gross dividend on *his original £2m investment,* worth £100,000 a year.

Pleasurama will transfer the Florida assets to the new company in return for an estimated £16m in debt securities. Although the headquarters will remain in Florida, the company may be registered offshore to minimise tax.

The offer document also discloses that Pleasurama intends to provide a total of $90m *(£55m) in capital investment to* the US company in the years 1988-90.

Pleasurama's equity investment would start at £14m, but could fall to £12.8m depending on how many options Mr Earl *is allowed to exercise. This is* almost exactly equal to the company's total pre-tax contribution to Pleasurama in 1988-92 if it achieves 40 per cent profits growth each year.

PROPOSED PROFIT-LINKED SHARE OPTIONS IN NEW US COMPANY

Annual % pre-tax profit growth	Robert Earl's % stake by 1992	His total investment	Pleasurama buys his stake for
20	12.5	£2.0m	£3.14m
35	17.5	£2.8m	£7.18m
40 or more	20	£3.2m	£9.57m

The figures are illustrative based on President's expectation that the US activities whill show pre-tax profits of about £1m in 1987. Robert Earl can exercise options to buy 1 per cent of Newco from Pleasurma in any year in which Newco increases pre-tax profits in dollars by 35 per cent (40 per cent growth allows his to buy 1.5 per cent). If the growth falls short in any year, the relevant options can still be exercised if compound annual growth over the 1988-1992 period reaches the target figure. The figures assume unchanged dollar/sterling rates and that Mr Earl chose to require Pleasurama to buy his shares after 1992, when the prices is based on 12 times his share of the average of pre-tax profits in 1990-92. Earlier exercise is possible on lower multiples of previous three-year averages.

Vickers da Costa bounces back

BY NIKKI TAIT

OUT, but not down—Vickers da Costa may have lost its two investment trusts, whose assets totalled around £150m, to predators earlier this year but it is bouncing back with a new fund.

Acorn Investment Trust is being set up via an offer for subscription, and subsequent placing, of up to 40m £1 shares. Vickers will need a minimum of £3m before the fund can go ahead, and its investment policy will be similar to that of the two funds which it lost — Investing in Success, which went to Australian-based investment vehicle, Panfida, and General Funds, which was taken over by Rosehaugh.

There will be heavy concentration on Far Eastern investments, notably in the smaller markets.

Directors of the new trust will comprise Mr Ralph Vickers, former chairman of General Funds, Mr Roger Noddings, a principal at Vickers and formerly on the board of IIS, and three academics, Professor Robert Neild, Professor John Kay and Mr Hashem Persaren, of Trinity College, Cambridge.

This time, however, the three executive directors — which excludes Prof Kay and Mr *Persaren—also see a perform*ance-related bonus scheme: they are entitled to one-tenth of any excess over 5 per cent by which the value of the company's portfolio outperforms the All-Share Index.

If, say, the portfolio beats the index by 10 per cent and is worth £50m, they would share £250,000. If the performance of the company's portfolio falls below that of the index, the gap must be recovered before the *formula operates.*

THOMAS WALKER (manufacturer of metal buckles and fasteners for the clothing industry): Pre-tax profits £329,190 (£272,833) for the year to June 30 1987. Sales £2.90m (£2.67m). Final dividend 0.95p making total 1.12p (0.95p). Earnings per share 3.57p (2.58p).

DIVIDENDS ANNOUNCED

Allied London Props ...	1.9	—	1.57	2.1	1.75
AB Ports ....int	†2.5	—	2	—	6†
Burmah Oil ....int	6	Jan 7	4.5	—	14
Campari Int ....int	1.5	Oct 19	0.5	—	3
Continental Microwave	‡1.8	—	1.375*	2.8	2.25*
Cookson Group ......int	†4	Nov 27	2.75	—	8.75
Alan Cooper ....int	1.5	Oct 23	—	—	1.5
DPCE	†1.5	—	1.32	2.18†	1.8*
English & Scottish int	0.55	—	0.5	—	1.55
Framlington	9	—	6	14	9
Hepworth Ceramic int	†3.6	Nov 9	3.1	—	8.28
Home Counties ...int	2.5	Nov 2	1.63*	—	5*
Hyman ....int	0.75	Oct 26	0.75	—	1.5
Industrial Finance ...	2	—	0.5	3	1.5
Isotron	1.2	—	1	1.8	1.5
John Laing ....int	2	Oct 30	1.67*	—	5.67*
Ldn Utd Inv ....int	7.5	—	6.5	—	20
MBS ....int	nil	—	nil	—	0.5
Moss Bros ....int	2.3	Nov 9	1.85	—	6.34
P-E International ...int	†1.2	Oct 20	1	—	3
Pifco Holdings	4	—	4	6.5	5.76
Sirdar	†3.5	—	3.5	5.15	5.15
Rolls-Royce ....int	1.75	—	—	—	—
Rowntree ....int	5	Jan 4	4.4	—	13.6
Royal Dutch ....int	††4.50	—	4.50	—	12.80
Schroders ....int	‖6	—	3	—	13.5
Shell Trans ....int	16.5	Nov 5	13.5	—	43
Tavener Rutledge int	nil	—	nil	—	1
Thomson T-Line	**3	—	—	—	—
Tyne Tees TV ......int	‖7.5	—	3.75	—	18.75
Thomas Walker	0.95	—	0.78	1.13	0.95

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing forscrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. ‖To reduce disparity. ** 16-month period. † Fl per share gross.

Lubricants push Burmah to £61m at interim stage

FURTHER significant increases in lubricant volumes contributed to a marked increase in pre-tax profits at Burmah Oil in the six months to June 30 1987.

Pre-tax profits climbed from £37.6m to £61m, an increase of 62 per cent. Lubricants and fuels contributed £51m (£36.4m), and all other divisions moved ahead: speciality chemicals improved from £4.4m to £6.9m; LNG Transportation was higher at £6.4m against £5.7m, and energy investments was up from £2.9m to £3.7m. There was a group management loss of £3.2m (£3.6m).

The directors said that, apart from the improved results, the group had benefited from the continuation of margins achieved during the latter part of 1986, and contributions from acquisitions made during the past 18 months.

Net interest charges were substantially reduced — down from £8.5m to £4m — but tax rose from £16.9m to £27.4m. There was an extraordinary credit of £500,000 (£16.5m debit), which left attributable profits £29.7m higher at £33.6m.

The interim dividend is hoisted from 4.5p to 6p net — last year's total was 14p from pre-tax profits of £105.9m. Stated earnings per £1 share were 18.85p (13.24p) before extraordinary items

Group turnover, net of duties, was lower at £610.5m compared with £658.3m.

Looking ahead, the directors said trading conditions remained favourable and they believed 1987 would prove to be another successful year.

They also reported that 30 per cent of stockholders elected to take advantage of the scrip alternative offered in respect of the 1986 final dividend. That provided major benefits for both stockholders and the company, and a further scrip alternative is being offered.

The directors are confident that the total distribution for the year will be greater than that paid in respect of 1986.

See Lex

J. Laing rises 10% to £13.2m

John Laing, construction engineer, reported interim pre-tax profits up by 10 per cent to £13.2m against £12m last time. The result was achieved on turnover up from £368m to £507m, a rise of 38 per cent.

Directors said they expected the full-year results would compare favourably with last year's £38.1m on turnover of £878m. The shares closed 19p lower at 360p.

Earnings per share for the first six months of 1987 came out at 9.9p (9.5p) and there will be an interim dividend of 2p (1.67p adjusted).

There was a trading surplus of £14.1m (£10.4m) but there was a turndown in interest charges from net interest received of £1.6m to £900,000 payable. The tax charge was £4.6m (£4.3m).

The homes division, directors said, continued to benefit from its concentration in the south east of England. the order book for the construction division as a whole was satisfactory and the newly formed energy, technology and environment division was achieving its targets.

Two new non-executive directors have been appointed. Mr Scott Durward, chief general manager of Alliance and Leicester Building Society and Mr Keith Gates, finance director of Marks and Spencer.

● comment

John Laing's operating profits have been buoyed up once again by its strong presence in housebuilding in the south east of England. But the company has had to give some of that back because housebuilding, while profitable, drains cash and thus the £2.5m swing against it on interest payment position. Laing's construction side, where margins are lower but cash flow stronger, has been less active. This balance to the company gives it a rather sturdy frame. Should full year profits reach £44m, the shares would be rated on a prospective p/e of 11, a 1.5 point discount to the sector that is hard to justify.

W. Canning

Canning increased earnings per share from 4.2p to 10.4p in the half year to June 27. This corrects figures in Tuesday's Financial Times.

RICARDO CONSULTING Engineers has agreed to dispose of G. Cussons, a wholly-owned subsidiary, for £1.35m in cash.

Allied London up to £5.2m and in £40m rights

By William Cochrane

Allied London Properties, the property development, investment and housebuilding group which has recorded impressive earnings growth over the past five years, added to its record yesterday with taxable profits up from £4.05m to £5.27m for the year to June 30. It also announced a £40m rights issue.

It proposes to raise about £38.8m net of expenses by the issue of 40m new 5¼ per cent convertible cumulative redeemable £1 preference shares at 100p a share, to ordinary shareholders at the rate of one new share for every 1.7153 ordinary and to convertible loan stockholders on the basis of 138.0762 new shares for every £100 nominal of company stock.

It says that the issue is being made to enlarge its investment property portfolio, increase its development programme and expand its housebuilding activities.

The Eagle Star Group owns 7.79 per cent of the ordinary shares and is irrevocably committed. Mr Geoffrey Leigh, Allied chairman, says, to take up its rights in respect of 3.56m new shares. Certain of the directors, who in total own or control 49.3 per cent of the ordinary, have waived their entitlements to 9.11m shares which have been placed with institutions; their entitlements to a further 5.33m shares will be retained by them initially

Allied's letter to shareholders also says that the total property portfolio has been revalued to £118.2m as at June 30 last, indicating fully diluted net assets per share of 118p against 92p a year earlier.

In order to protect shareholders, if an offer is made for the company on or before October 31 1993, the conversion rate will be stepped to reflect the income value which is foregone in such circumstances.

Income from investment properties rose from £5.93m to £7.81m. After tax of £1.37m (£739,000) earnings per share worked through at 7.7p (6.59p) undiluted or 6.23p (5.3p) fully diluted. The directors proposed a final dividend of 1.9p (1.57p) making a total of 2.1p (1.75p) for the year.

Sirdar profits hit by yarn sales slump

BY ALICE RAWSTHORN

Sirdar, the textiles group, yesterday unveiled a sharp fall in pre-tax profits from £10.3m to £6m in its last financial year. The fall was due to an unexpectedly severe slump in demand for hand-knitting yarns, its principal product.

The group is committed to diversifying into new areas to reduce its reliance on hand-knitting yarns. In the last financial year it has acquired two businesses — Burmatex, a manufacturer of carpet tiles, and Eversure, which makes curtains and cushion covers.

Mr Jerry Lumb, managing director, said that the group intended to make further acquisitions within the textiles field but that it has no specific targets at present.

Sirdar, which is one of the largest UK producers of hand-knitting yarns, has thrived in the buoyant market of the past 12 years. Last year, when the market declined worldwide, yarn sales in the UK fell by 20 per cent.

The hand-knitting yarn market has begun to recover in West Germany, the US and Canada. The group hopes that this pattern will be replicated in the UK, but it predicts that it will take up to two years for the recovery to be completed.

Group turnover rose to £48.7m (£38.7m) in the year to June 30, but the increase was due to the acquisitions. Yarn sales fell to £29.9m (£38.7m) Taxation deducted £2.5m (£3.7m). Earnings per share fell to 7.31p (13.72p). The board proposes an unchanged final dividend of 3.5p, making 4.65p.

● comment

For years Sirdar has been bandied about as a model textile company. Hefty investment and heftier margins have turned it into one of the most efficient stocks in the sector Yet even model companies are not immune to recession. Investors could carp that Sirdar should have diversified more swiftly and should not have been taken quite so unawares by the severity of the hand-knitting slump. But the management has been realistic about the prospects for recovery. Moreover, it has taken every reasonable step to mitigate the effects of the slump. The acquisitions should contribute £2.5m or so this year, taking total profits to [illegible]m assuming a modest recovery in yarns. This puts the shares, at 145p, on a prospective p/e of 13½. Fully valued, unless the yarn market stages a sudden revival . . . or a predator pounces.

IFICO continues its recovery with £1.7m

BY PHILIP COGGAN

The Industrial Finance and Investment Corporation has taken another step on the road to recovery after changes in the tax system caused a sharp decline in its leasing activities.

Yesterday, it announced pre-tax profits up 48 per cent to £1.7m for the year to June 30, compared with an adjusted £1.15m in the previous year. After the rundown in its leasing business, the company has diversified into other areas and FMW Holdings, the insurance broker which was acquired during the course of the year, contributed £1.18m to trading profits.

The estate agency arm contributed £300,000, and corporate finance added a further £500,000.

APA, the insurance broking arm of Australian investment group Unity Corporation, has a 44 per cent stake in IFICO and Mr Gary Carter and Mr Denis Vickery are its representatives on the board.

After tax of £576,000 (£474,000) and minority interests of £11,000 (£2,000), earnings per share were 42 per cent higher at 6.63p (4.68p). The final dividend, which was cut last year, is being set at 2p (0.5p), making a total of 3p (1.5p).

Home Counties Newspaper Holdings (printer and publisher of local newspapers): Turnover £6.95m (£6.09m) and pre-tax profits £1.15m (£746,000) for six months to July 3 1987. Interim dividend 2.5p (1.62p adjusted). Earnings per share 14.6p (18.1p).

ROLLS ROYCE

1987 Interim Report

CHAIRMAN'S COMMENTS

The Company was floated on May 20, 1987 and at the same time received net additional capital of £277m. At June 13, 1987 the Group had a net cash balance of £70m.

Results

A continuing high level of activity produced an operating profit of £152m, 28% up on 1986.

R & D (net) charges of £84m were 50% higher than in 1986 due to both increased activity on current projects and reduced launch aid.

Interest charges for the period were £8m (1986 £10m) and profit before tax of £60m was 13% up on 1986.

Prospects

Business continues at a satisfactory level and sales opportunities are plentiful.

Dividend

The directors have declared an interim dividend of 1.75p per ordinary share. This will be paid in early December 1987 to those shareholders on the register on November 6, 1987.

Sir Francis Tombs

UNAUDITED GROUP PROFIT AND LOSS ACCOUNT

for the 24 weeks to June 13, 1987

	Notes	24 weeks to June 13 1987 Unaudited £m	24 weeks to June 14 1986 Unaudited £m	Year to December 31 1986 Audited £m
Turnover	1	899	784	1,802
Operating profit	1	152	119	273
Research and development (net)		(84)	(56)	(132)
Interest payable and similar charges		(8)	(10)	(21)
Profit before taxation		60	53	120
Taxation (including 1987 ACT £5m)		(8)	1	1
Profit after taxation		52	54	121
Minority interests		-	(1)	(1)
Profit attributable to shareholders		52	53	120
Dividends – Interim proposed		(14)	-	-
Retained profit		38	53	120
Earnings per ordinary share	3			
Nil distribution basis		8.6p	8.3p	18.9p
Net basis (if different)		7.9p	-	

NOTES

1. Turnover

	1987	%	1986	%	Year 1986	%
Civil Aero	405	45	341	43	757	42
Military Aero	367	41	313	40	740	41
Industrial and Marine	54	6	62	8	153	9
Other activities	73	8	68	9	152	8
	899	100	784	100	1,802	100

Operating Profit	1987	% on Turnover	1986	% on Turnover	Year 1986	% on Turnover
Civil Aero	85	21	62	18	137	18
Military Aero	58	16	50	16	118	16
Industrial and Marine	5	10	4	7	10	7
Other activities	4	5	3	5	8	5
	152	17	119	15	273	15

2. The Group produces accounts on a four weekly basis. As income and expenditure do not accrue evenly throughout the year, the results for any particular 24 weeks may not be representative of the whole year.

3. Earnings per ordinary share on the net basis are calculated by dividing the attributable profit by the weighted average number of ordinary shares – 659 million (1986 635 million) in issue during the period as adjusted for the share consolidation and sub-division on April 27, 1987.

4. The comparative figures for the year to December 31, 1986 have been abridged from the Group's accounts for that year, which received an unqualified auditor's report and which have been delivered to the Registrar of Companies.

ROLLS-ROYCE plc, 65 BUCKINGHAM GATE, LONDON SW1E 6AT.

US sale helps Hepworth Ceramic up to £26m

Hepworth Ceramic Holdings, the building materials group, upped taxable profits from £17.66m to £26.06m on turnover ahead from £178.25m to £181.71m in the first half of 1987.

The directors declared an interim dividend of 3.6p—up from 3.1p last time—and after tax of £9.15m (£6.91m), earnings per share rose from 6.7p to 9.7p.

Professor Roland Smith, chairman, said that the results reflected the beneficial disposal of the North American businesses—Western Plastics and W. S. Dickey—as well as the successful performance of the UK acquisitions. In April Hepworth paid TI Group £63.5m for its domestic appliances businesses, which included Glow-Worm and Parkray, and two months' contributions were included in the figures.

All the group's traditional major businesses showed improved profitability, with a particularly impressive profit advance in refractories and plastics.

Professor Smith said that the second half had started well and market conditions across the group were generally buoyant. He expected the company to achieve good profits in the second half.

He said that it was hoped that its £14.1m recommended offer for Thomas Marshall (Loxley) would shortly become unconditional.

Minority interests accounted for £573,000 (£175,000) and there was an extraordinary credit of £69,000 (nil).

● comment

The revival of British Steel has had a marked beneficial impact on Hepworth Ceramic, enabling refractories' profits to double. When the agreed £14m Thomas Marshall takeover is completed, HC will have the dominant national position in this sector and be well placed to make further gains from rationalisation of the £110m. of combined turnover. The acquisitions from TI already look cheap—with the exit multiple on the £63.5m paid likely to prove only 10 times the eight-month earnings contribution this year. The £47½m of goodwill acquired along with TI's domestic appliances business—primarily the Glow-worm central heating boilers and the Parkray solid fuel heaters—will disappear thanks to merger relief and so will not hit the p&l account. By the year end Hepworth will have some £180m in shareholders funds and could be £40m cash positive—leaving ample room for a circa £150m bid. This year £60m should be achieved, putting the shares at 264p on a prospective p/e of 13. The company's determination to move away from its traditional clay pipe and industrial sand dependency suggest that the shares could have an exciting 1988.

Oil price rise helps Tricentrol to cut its losses at midway

THE increase in oil prices although tempered by the weakness of the dollar against sterling was largely responsible for the improved performance by Tricentrol, the independent oil company, in the first half of 1987 compared with the equivalent period last year.

On turnover down from £18.1m at £17.2m, losses before tax fell from £3.8m to £2.1m. Losses for the second quarter alone fell from £4.1m. to £1.1m. The loss per share fell from 2.5p to 1.9p for the first six months and from 3.3p to 1p for the second quarter.

Comparative figures have been restated to eliminate the discontinued North American activities—in November Tricentrol agreed to sell three-quarters of its assets in the US to a group of institutional investors in a deal worth £60.3m—and adjusted to reflect the company's change in accounting estimate for 1986 and decommissioning at the end of that year.

Production costs fell from £6.7m to £5.2m and depletion and decommissioning expenses totalled £7.1m (£7.7m). Administration costs amounted to £500,000 (£400,000) while other operating income totalled £300,000 (£100,000 loss).

Mr James Longcroft, chairman, said that the development of Amethyst and North Ravenspurn was proceeding satisfactorily while the award of final "Annex B" approval for the Wytch Farm on-shore oil field had added certainty to this development which would be of great benefit.

He said that discussions were proceeding with financial institutions to secure adequate funds for development of the company's gas fields in the Southern Gas Basin of the North Sea and to refinance the existing Wytch Farm credit facility.

Exploration activity, although reduced, was continuing satisfactorily. Prospective acreage was being maintained, bearing in mind the need to have an adequate acreage base to take advantage of the expected upturn within the oil industry.

● comment

When James Longcroft, Tricentrol's mercurial chairman, announced in July that he was personally taking charge of the search for £350m of long-term borrowing to fund and refinance the company's development programme, the balance of City opinion over the prospects of such a package being in place by December moved from sceptical to neutral. Unlike their UK brothers, American banks are apparently keen (or have shorter memories?) to lead off a "fairly unusual" mix of 10-year dollar borrowing and a sterling overdraft facility. A non-bank component might also provide an intriguing subject for column writers when and if the scheme is finalised. The high risk approach will send gearing sky high—500 per cent or so—and see no serious change in the meagre cash flow position until the turn of the decade. However, all the promising acreage will be kept intact. A middle way could see a sale of an asset and or a rights issue near the year-end once the borrowing deal is as good as bankable. A worse case scenario is the progressive selling off of assets—which in today's market should easily provide cover for the shares at 118p. A good speculative buy.

Tyne Tees 51% up at £2.6m

Tyne Tees Television Holdings which obtained a listing in April, reported a 51 per cent increase in pre-tax profits, from £1.69m to £2.55m for the half year to end-June.

The directors have lifted the interim dividend to 7.5p (3.75p) to reduce the disparity between the interim and final payments. A total of 18.75p was paid in 1986 when taxable profits amounted to £4.21m.

Sir Ralph Carr-Ellison, chairman, said the increased turnover, up by 13 per cent to £26.39m (£23.29m), neglected a real growth in both advertising revenue and programme sales. He added that it was particularly satisfying that cost increases had been rigorously contained and held within levels of inflation.

TV advertising revenue had remained strong throughout the period, the chairman reported, and the company had been able to sustain a market share of nearly 4 per cent of network total. Recent marketing initiatives, particularly Pulsebeat and Financial Pulsebeat, designed to stimulate new advertising in the region, had produced encouraging results.

The second half had started well, he concluded.

From a gross profit up from £5.59m to £7.35m, the Channel 4 subscription took slightly more at £4.05m (£4.16m) but the Exchequer levy was substantially higher at £1.08m (£100,000). There was also an interest credit of £325,000 (£357,000).

Tax amounted to £984,000 (£685,000) and there was an extraordinary £41,000 charge relating to the costs of the listing, net of Exchequer levy.

Schroders ahead at six months

BY DAVID LASCELLES, BANKING EDITOR

Schroders, the UK merchant banking group, reported yesterday that profits for the first six months of this year were higher than in the same period last year.

The group is one of the few which does not give any details at the interim stage. However, Mr George Mallinckrodt, the chairman, said that this practice might have to be reviewed.

He said that the performance of the group was satisfactory, including the half share which it has in Wertheim, the Wall Street investment bank. Despite some personnel problems, the securities business was performing close to budget. In Tokyo, Schroders is now hoping to obtain stock exchange membership next year.

Mr Mallinckrodt said that the results showed that last year's reorganisation, which included the sale of various non-essential businesses, was "bearing fruit" in higher quality earnings and more efficient use of capital.

The group is paying an interim dividend of 6p per share. This is double last year's, but the increase reflects Schroders' wish to cut the disparity between the interim and final dividend and is not a change in dividend policy.

Hyman rises and makes cash call

A COMBINATION of internal expansion and external acquisition, enabled Hyman, Oldham-based polyurethane foam convertor and manufacturer, to achieve a record peformance in the six months to June 30 1987.

Pre-tax profits rose from £873,000 to £952,000, and this included a contribution of £84,025 from the joint venture company, Polytex Holdings, which, the directors said, had performed encouragingly in the first six months of its trading.

The board added that it had every confidence that the group would maintain the current progress and anticipated recommending a final dividend of 0.95p per ordinary stock unit for the full year. This would be paid on the increased called up capital. In the meantime, the interim dividend is unchanged at 0.75p net.

The group is offering by way of rights, 9,998,832 new ordinary stock units at 40p per stock unit. The basis is one new ordinary for every three existing ordinary. The issue will raise approximately £3.8m after expenses and has been underwritten.

The rights issue proceeds will reduce bank borrowings and provide resources for additional capital expenditure, and for funding further acquisitions.

The company is to continue its considerable investment in development of improved fire retardant foams, such as Melatex and Fireseal.

Turnover for the opening half was down from £17.2m to £16.58m. The pre-tax figure was after interest charges down from £304,000 to £276,000. Tax took £333,000 against £295,000. Stated earnings per stock unit improved from 1.93p to 2.08p.

Automagic Holdings

Figures for Automagic Holdings published in the Financial Times on September 2 were for the 52 weeks to May 2, 1987, and not for the half year as stated in the headline.

Moss Bros advances to £0.48m

Improved retail demand and the first effects of the changed approach by the management were reflected in a 36.5 per cent improvement from £348,000 to £475,000 in pre-tax profits of Moss Bros, retailer and hirer of clothing ancillary goods, for the six months to August 1.

Mr Wilfred Cass, chairman, said however that there should be some caution in drawing conclusions from the interim results that the year-end results would reflect a similar level of improvement.

Turnover for the period rose 20.6 per cent from £9.8m to £11.9m.

Earnings per share rose to 9.72p (7.15p) and the interim dividend is being lifted to from 1.85p to 2.3p.

Alan Cooper

Alan Cooper Holdings, office furniture manufacturer which obtained a full listing in April, achieved pre-tax profits of £976,000 in the six months to June 30 compared with £727,000 previously. Turnover increased from £3.10m to £4.87m.

Earnings rose to 6.28p (4.15p). Interim dividend is same-again 1.5p.

UK COMPANY NEWS

Steve Butler on the alternate proposals for a struggling paper mill

The battle for Olives' future

IMAGINE, if you can, a struggling company in which shares are trading at between 180p and 200p, and where the board rejects a £5m, 100p per new isued share, capital inpection proposal in favour of one at 85p per share that would put in only £3.74m.

You needn't imagine it — this is Olives Paper Mills, where share holders will today vote to approve or reject the board-endorsed proposal through which Michael Kent would put £3.74m into the company, become its majority shareholder and assume chairmanship of the company.

Mr Kent, however, is not convinced that he will end up as chairman of Olives even though *he can already put about 20 per* cent of the vote in his pocket.

The obstacle in his path is the alternate proposal by Mr Nathu Puri and his company, Melton Medes, that if eventually adopted would overnight boost the asset backing of every share of Olives Paper above that of the Mr Kent's proposal.

"This is really a high offer that is very difficult to refuse," Mr Kent says. "Institutions take a hard financial view; they have to."

Indeed, Mr Kent goes a bit further than this.

"I think he is paying a fantastic price for it. I don't know if it speaks well for his business judgment," he says.

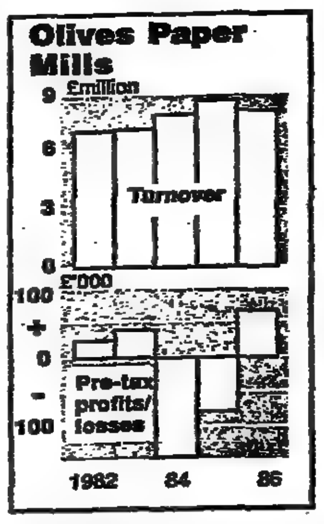
Olives is the oldest independent paper mill in the UK and produces wood-free paper. Its financial performance has been extremely dull in recent years, with no dividend since 1983, and it has come under bank pressure to reduce working capital overdrafts.

Olives desperately needs an injection of capital to reduce borrowing and to invest in new equipment.

Both the Kent and the Puri proposals would provide this, but aside from the financial differences in the proposals, Olives' shareholders today are choosing who is going to run the company.

Mr Kent has the advantage that he gets on with the current Olives board and has the endorsement of management and the company's unions. There would be no suddent disruption in the company should he take control.

Mr Kent admits he has no expertise in the paper business, but he does know about property development and has some plans for the 70-acre Lancashire site where Olives is located.



Melton Medes has made some hay over the decline in turnover and pre-tax profits in Mr Kent's listed property company, M. P. Kent, before it was taken over by C. H. Beazer in 1984, implying that there are questions about how successful a businessman Mr Kent has been.

Mr Kent says, however, that the decline reflected a 1982 board decision to sit on properties, including valuable sites in the City of London, and that this decision has been proved correct by the subsequent fantastic appreciation of property values.

In the 10 years of M. P. Kent's public trading, shareholders' funds rose each year from 7.9p per share in 1975 to 53p in 1984.

Mr Puri, by contrast, has experience in the paper industry, and can boast a rather impressive record for his own private companies from pre-tax profits of £505,000 on turnover of £17.7m in 1985, to estimated 1987 profits of more than £2.5m on a turnover of £66.6m. Olives *would become* a vehicle for acquisition and diversification.

The hurdle he must overcome, however, is friction with the Olives board and management and *suspicion from Olives'* unions. Mr Puri challenged and embarrassed the board over "golden parachute" directors' contracts earlier this year, and the board has since resented his approaches to the company.

The Olives board's distrust and dislike of Mr Puri is understandable given the uncertainty over their own future should he win control of Olives. But if Olives' shareholders today reject the Kent proposals and turn *against* their board, these are feelings the board will have to swallow.

AB Ports improves by 21% to £13.3m

A 21 PER CENT increase in pre-tax profits for the half-year to June 30 and the forecast of a significant improvement in profits for the full year compared with 1986 was anounced yesterday by **Associated British Ports Holdings.**

First-half profits were £13.3m against £11m and compared with a 7.5 per cent improvement from £73.5m to £79m in the turnover of port services.

Sir Keith Stuart, chairman, said that port services — the group operates 19 ports throughout England, Wales and Scotland — should continue to make useful progress as the effects of cost reductions came through.

Property profits would benefit from the recent successful sale of Grosvenor Square's property in Bishopsgate for £20.5m and from a range of schemes under way. Comparable figures for 1986 did not include results for Grosvenor Square Properties, acquired in January 1987.

At the Humber ports, Sir Keith said, business continued to expand. At Hull, a new passenger and freight terminal had been opened to service North Sea Ferries' new vessels. At Immingham, work has begum on a schemes to extend berthing facilities in the enclosed dock which will increase the port's general user capacity by some 20 per cent.

Operating profit of the port services increased from £8.2m to £9.4m after deducting voluntary severance of £3.8m (£2.7m). Property income rose to £4.7m (£3.5m) and investment income to £1.1m (£0.5m). Interest payable amounted to £1.9m (£1.2m) and tax to £4.4m (£3.6m) leaving stated earnings per share of 10.3p (9.1p).

The interim dividend is raised from 2p to 2.5p per 25p ordinary.

● comment

This looks like being the year when property could move up to take equal profits billing with ports. Both sides are showing growth but the property side is steaming ahead at a faster rate of knots. Yesterday's figures were the first to include a contribution from Grosvenor Square Properties, acquired in January this year, but its real impact will be felt in the second half with the inclusion of sales such as the Bishopsgate property which went recently for £20.5m—more than the company originally paid for GSP. The acquisition of GSP was a necessary move bringing with it not just a nice portfolio of land and projects but in-house expertise to address the company's development of its 2,500-3,000 acres of *surplus port land*. The 19 ports themselves remain a solid business, the east coast ports particularly well placed to benefit from increased EC trade. Shares closed 7p down yesterday at 592p. Assuming pre-tax and pre-severance payments profits of £43m this year, that *puts them on an attractive pros*pective p/e of about 17.

P-E International advances to £1.3m

AFTER announcing first half taxable profits up from £1.01m to £1.34m, Mr Hugh Lang, chairman of P-E International, consulting services group, said that the company was on course for another successful year.

Turnover moved up from £11.82m to £13.87m. The directors declared an interim dividend of 1.2p — up from 1p — and earnings per share emerged up from 5.6p at 6.8p after *higher tax charges of £496,000* (£394,000). Last time's extraordinary credit of £290,000 was not repeated.

In early June P-E completed the acquisition of Inbucon, management consultants, which contributed £751,000 to turnover and £66,000 to profits.

MEMORY COMPUTER Dublin-based computer manufacturer and distributor: Pre-tax profits 44 per cent ahead at I£610,000 (£550,000) for year to June 30. Fully diluted earnings per share 1.5p (0.84p).

Haggas up 33% and expanding

BY ALICE RAWSTHORN

John Haggas, Yorkshire-based wool textile group, yesterday announced a 33 per cent increase in pre-tax profits to £4m last year, despite static turnover. It is also close to concluding negotiations to acquire a company with interests related to wool textiles.

Its shares rose by 6p to 212p n the announcement.

Haggas returned to the stock market last year with the express intention of expanding through acquisition. Its attempt to acquire Bulmer & Lumb, a weaving and knitting company, foundered in July last year. If the present negotiations prove successful, the acquisition will be its first since the return to public quotation.

In the year to June 30, group turnover was static at £25.9m (£26m). Mr Brian Haggas, chairman and chief executive, attributed this to the fact that the spinning and fabric businesses ran a full capacity throughout the year. Both businesses increased profits, to £3.2m (£2.7m) and £512,000 (£351,000) respectively, because of improvements in quality and productivity.

The group paid £1.4m (£1.1m) in taxation during the year. Earnings per share rose to 13p (10p) and the board proposed a final dividend of 2p making 3p.

Haggars recently bought a block of land next to its spinning mill to build a new factory which will *increase its* yarn capacity by 15 per cent. Building will begin in two months.

The group is also doubling the capalcty of Aireworth, the spinning company acquired before the flotation. Aireworth's sales fell last year because of reorganisation, but profits rose to £192,000 (£178,000).

The trouser company sus*tained a fall in both sales and* profits, the latter slipped to £22,000 (£72,000). Mr Haggas said that, unless its performance improved within the next two months, he would consider closing the business.

Mr Haggas expressed his optimism about the group's prospects for the present year.

DPCE tops £5m and sees further growth ahead

DPCE Holdings, the acquisitive computer maintenance company, revealed to the City yesterday that its profits for 1986-87 had risen to £5.37m pre-tax, an improvement of 36 per cent over the previous year's £3.95m.

Furthermore, the directors said that with strengthened international management and a high level of new maintenance contracts won *last* year DPCE was well positioned for continued growth in the year ahead.

Turnover for the past year, to end-June, advanced from £28.59m to £40.01m. Interest income amounted to £661,000 (£816,000), tax to £1.79m (£1.65m) and minorities to £236,000 (£108,000).

Earnings emerged at 11.1p (7.6p). A final dividend of 1.6p raises the total from an adjusted 1.77p to 2.18p net on the enlarged share capital.

Figures for 1985-86 have been adjusted to include those of US compute r company Syste c which was acquired last December. DPCE raised £14.6m in April to fund further acquisitions.

TR Australia

SHARES IN TR Australia, one of the sister investment trusts to TR Pacific Basin — which is defending itself against an unwanted bid from Thornton Pacific Investment Fund with its own reorganisation proposals — added 2p yesterday to 185p.

This followed an announcement from Lloyds Bank (SF) Nominees that it had purchased another 100,000 shares, taking the total holding to 1.5m shares or 5.09 per cent.

There have been suggestions that other TR trusts might follow the Pacific Basin fund's example, although Touche Rem*nant itself says this is a matter* for the individual boards.

MBS continues recovery

MBS, formerly Micro Business Systems, has continued the recovery seen in the second half of 1986 and for the six months to June 30 reported pre-tax profits of £755,000 against a loss of £1.28m.

The company, which distributes, maintains and provides training in the use of minicomputers and associated products, improved turnover by 24 *per cent to £45.81m (£36.8m).*

A period of restructuring has been embarked upon and in view of the costs involved and the continuing cash requirements of a growing business the directors consider it inappropriate to declare an interim dividend. Earnings for the period came out at 0.9p (3.2p losses restated) per 5p share.

In August MBS acquired Combro, and although not making a contribution this time, its pre-tax profit for the period exceeded £500,000. Those benefits would come through in the year-end figures, directors said.

The May rights and subscription issues raised about £10m which helped to reduce interest charges significantly. They fell from £1.4m to £843,000.

Tax took £220,000 (nil).

Corton Beach profit surge

BY PHILIP COGGAN

Corton Beach, the Third Market mini-conglomerate, yesterday announced quadrupled interim pre-tax profits and an 158 per cent increase in earnings per share.

The group's three divisions—food, automotive and leisure—are all trading profitably with leisure currently the biggest earner but Mr Mike Keen, the chairman, said that the long-term aim was to achieve roughly equal profits from each division.

Freezerite Food Centres was acquired after the end of the first half and makes no contribution to these figures.

Propeller, the textiles subsidiary acquired as part of the fully-listed Tern last year, will be floated on the Third Market in the autumn. Analysts expect *that the group will be valued* at around £6m.

Trading profit in the 26 weeks to August 1 was £1.02m (£281,000) *on turnover* of £20.9m (£7.6m) and after interest payable of £212,000 (£79,000), pre-tax profits were £806,000 (£202,000).

Earnings per share were 2.9p (1.12p). Although the group is not paying an interim dividend, it intends to recommend a final.

Campari recovery continues

Campari International, importer and distributor of leisure, camping and boating equipment, continued its recovery and raised pre-tax profits *to* £524,000 for the six months ending May 31 compared with a £95,000 loss.

Group turnover rose to £11.6m (£9.77m).

Mr Ake Nordin, chairman, said the interim results were most satisfactory and reflected both the increased turnover and *higher margins* indicated in his last statement and also interest savings arising from a further reduction in the level of borrowings.

"Trading during the second half, traditionally much our strongest period, remains buoyant with a continuing very strong sales order position," said Mr Nordin.

"The results for this period will benefit also from an additional saving in interest following receipt of the proceeds of the rights issue towards the end of the first half."

After tax of £56,000 (£18,000), earnings per 20p share were increased to 6.86p (1.31p loss) net.

An interim dividend of 1.5p (0.5p) was declared.

APPOINTMENTS

Promotions at W. H. Smith

W. H. SMITH AND SON (HOLDINGS) has promoted two senior managers to the main board. Mr David Roberts, managing director of the retail group, and Mr Neil Thomas, managing director of the do-it-yourself chain, Do It All, will join the board on June 4 1988. Mr Thomas will also move to a new post as deputy managing director of W. H. Smith and Son (Holdings).

Mr Roberts joined W. H. Smith in 1971 as a management trainee. He was appointed managing director of the retail group, based in Swindon, in 1985.

Mr Thomas joined W. H. Smith in 1973 as operations manager and five years later was appointed divisional director, retail distribution. He became managing director of W. H. Smith Do It All in 1983. In his new role as group deputy managing director he will carry a special responsibility for news wholesaleing, distribution and staff services.

Other management changes include the appointment of Mr Rodney Buse, managing director, wholesale, as managing director of Do It All from April 1 1988. Mr Peter Troughton becomes divisional director, news wholesaling, from March 1988. Mr Buse joined W. H. Smith in 1962 and Mr Troughton in 1979.

★

Mr Richard Leveritt has been appointed director of finance of EASTERN ELECTRICITY from October 1. He was deputy director of finance. He joined Eastern Electricity in 1970. Three years ago he spent 1½ years on secondment as financial controller to the Jamaica Public Service Corporation.

Mr Richard Leveritt, finance director of Eastern Electricity

★

Dr Mark Mobius, managing director of Templeton Investment Management (Hong Kong), Far Eastern subsidiary of TEMPLETON, GALBRAITH & HANSBERGER, has been appointed a main board director. He replaces Mr Marcus Storch, a non-executive director, who has retired.

★

Mr Sean Donelon has been appointed chairman of TYSONS (CONTRACTORS), in succession to Mr J. Leslie Tyson. Mr Donelon remains chief executive and Mr Tyson becomes an executive director.

★

At the close of the annual meeting of the ASDA-MFI GROUP, Mr E. G. Bousfield, Mr A. E. Gardiner and Mr P. R. Baines resigned from the board. Mr Baines is succeeded as company secretary by Mr J. A. L. Mill.

★

SYNAPSE COMPUTER SERVICES has appointed Mr Tony McGrath to the new post of European sales director. He was UK and overseas managing director of Comtell.

★

Mr Michael Maine, chairman and managing director of British Airports Services, has been appointed an executive director of BAA from October 1. Since joining BAA in 1967 Mr Maine has held various senior posts in airport management and personnel. He will retain his current responsibility for British Airports Services, a wholly-owned subsidiary of BAA.

★

Mr David G. Fine has been appointed president and chief executive officer of POLYGRAM INTERNATIONAL. He succeeds Mr Jan D. Trimmer, whose new Philips group management membership includes the chairmanship of Polygram's supervisory board. Mr Fine was executive vice president.

Subsidiary board posts at NEI

NORTHERN ENGINEERING INDUSTRIES has made senior appointments at NEI Electronics, Gateshead; NEI Reyrolle, Hebburn; and NEI Thompson, Wolverhampton.

Mr Trevor Bartram and Dr Stanley Jones have been appointed directors of NEI Electronics. Mr Bartram is general manager of the Edgcumbe Instrumentation systems unit, Gateshead.

Mr Alan Richardson has been appointed a director of NEI Reyrolle. He is general manager of the bushing unit, Hebburn.

Mr Richard Buckland and Mr Cameron Masson have been appointed directors of NEI Thompson. Mr Buckland is general manager, Thompson defence projects, Wolverhampton; Mr Masson is general manager of Thompson Valves, Poole.

★

Mr Vanni E. Treves, a non-executive director of BBA GROUP, has been appointed deputy chairman of the company. He joined the group board on March 1 1986, and is senior partner of Macfarlanes, City solicitors.

Mr Vanni E. Treves, who becomes deputy chairman of BBA Group

★

WILLIAMS HOLDINGS has appointed Mr B. A. Atkins as group managing director of the homes and gardens activities. This involves the chairmanship of both Larch-Lap and Amdega, and the managing directorship of Banbury-Compton.

★

Mr Alexander Duma has joined the board of EQUITY & GENERAL as a non-executive director. Mr Duma, a merchant banker, is a director of Barclays de Zoete Wedd.

★

Mr Miles A. Seaman joins LLOYD'S REGISTER OF SHIPPING on September 14 as business director of its industrial services division. This division accounts for 20 per cent of international turnover, and is being expanded. After working for ICI and in consultancy, in 1980 Mr Seaman was founder director of Technica, a company specialising in safety assessment and risk analysis in the process industries, offshore exploration and production systems.

★

Mr Alan Nicholson-Florence has been appointed marketing and sales director of BRITISH AEROSPACE naval and electronic systems division. The appointment was previously held by Dr David Smart who relinquished the post due to ill-health. Mr Nicholson-Florence was marketing executive in the newly-formed corporate marketing organisation.

Chairman of Remploy

Mr Ivor Cohen has been appointed chairman of REMPLOY. He takes over from Sir John Bembridge who was appointed at the end of April but is unable to continue for health reasons. Mr Cohen, recently retired from the managing directorship of Mullard, part of Philips UK. Four other non-executive directors have been appointed to the board of Remploy: Dr Bill Bogie, executive director of Hoechst UK; Mr Derek Boothman, senior partner in Binder Hamlyn; Mr Ken Graham, recently retired as a commissioner of the Manpower *Services Commission*; and Mr John Young, senior partner in Arthur Young.

★

ESCOMBE LAMBERT, part of the Hill Samuel Group, has promoted Mr Allan D. G. Noyes from joint managing director to chief executive. Mr Michael A. O'N. Wallis, a director of Lambert Brothers Shipping, has been appointed managing director of Escombe Lambert.

★

TUSKAR RESOURCES has appointed Mr Michael Doherty as managing director. Mr Doherty has been managing director of Ardmore Petroleum since its foundation. Tuskar's offer for Ardmore was declared unconditional last week.

★

Mr Jean-Michel Six has been appointed managing director of DRI EUROPE, London. He was head of the DRI office in Paris.

★

Mrs Juliet Jowitt has been elected a director of YORKSHIRE TELEVISION. She is a member of the Potato Marketing Board and of the Domestic Coal Consumers' Council, and is a local magistrate. A former journalist working on "House and Garden" and "Vogue," she ran a discotheque and catering business before setting up in 1971 her own interior design company, Wood House Design.

Mrs Juliet Jowitt, a director of Yorkshire TV

COMMODITIES AND AGRICULTURE

Belgium proposes diamond 'alliance'

By Andrew Whitley in Tel Aviv

A SENIOR Belgian Minister has made an unexpected call for "an alliance" between the Belgian and Israeli diamond industries, long-standing rivals, to face a common threat from lower cost manufacturers in the Far East and Soviet Union.

The appeal for co-operation made by Mr Marc Eyskens, the Belian Finance Minister, during a visit to Israel this week, received an enthusiastic response from Israeli diamond industry leaders.

Mr Moshe Schitzer, President of the Israel Diamond Exchange referred to Mr Eyskens' call for the two countries to explore the possibility of making their productive capacities complimentary as "a most important declaration."

Israeli exports of cut and polished diamonds in the first half of this year defied forecasts that a plateau had been reached by rising to a record $1bn—compared with $1.7bn for the whole of 1986.

At the same time, however, rising costs have reduced profit-margins.

In London Israeli Government officials have been holding discussions this week, with the Central Selling Organisation, the De Beers subsidiary which controls the flow of uncut diamonds to the industry, on a possible increase in Israel's supply allocation.

About 24 per cent of Israel's requirement for "roughs," expected to be worth between $500m and $600m this year, is provided by the CSO. But as the local industry has boomed over the past two years so its pressure on sources of supply has become more acute.

The balance of Israel's requirement is met largely by traders in Antwerp, contributing to the large trade balance in Belgium's favour.

Low Brazilian cocoa estimate 'realistic'

BRAZIL'S 1986-87 estimates for a main cocoa crop of 3m bags (60 kg each) and 1.5m bags for the temporao crop are realistic, traders in the cocoa producing state of Bahia said yesterday, reports Reuter from Sao Paulo.

One Salvador trader said the rainless season had caused "more than enough damage."

The International Cocoa Organisation (ICCO) recently put Brazil's October/September crop at 270,000 tonnes (4.5m bags), which was considered far too low by London analysts, who put the main crop alone at about 3.85m bags.

Earlier estimates of 3.5m bags were largely affected by a prolonged drought, one trader said, adding the situation could worsen if dry weather continued.

China tries to salvage its minerals reputation

BY ROBERT THOMSON IN PEKING

THE CHINESE Government is attempting to salvage the country's reputation as a reliable supplier of metals and minerals after sudden surges and halts in exports that have left foreign companies with unfulfilled contracts.

Much of the confusion in this centrally planned economy has resulted from a lack of planning and, in particular, blind competition among the three main metals export corporations in Peking, their sub-branches around the country and other provincial trade organisations. Also, some departments have simply stopped exporting because of low world prices.

Rare earth exports have virtually dried up sinceMay while the three organisations, the China Non-ferrous Import and Export Corporation, the China Metals Import and Export Corporation, and Minmetals, attempt to establish a representative body to oversee foreign sales.

The rare earth manager at the Non-ferrous Corporation, Mr Niu Yinjian, admitted that China's reputation has been damaged but suggested that exports would resume in a more orderly manner late this year: "We have to do a lot of preparatory work to set up the new body," he explained.

Problems similar to those afflicting rare earth exports are to be found in numerous other areas. China's antimony exports have fluctuated wildly, with a doubling of exports in the fourth quarter last year compared with the previous quarter, but a sudden slow-down this year.

Japanese traders report that the Government appears to have put a clamp on exports of crude antimony, though the flow of antimony ingots is continuing. Exports of rare metal alloys have fluctuated, and the supply of silicon has also been spasmodic, with the Japanese complaining that shipments, which were on time in the early part of this year, are now up to three months late.

"One of the problems is that they are overbooking their silicon exports. They have signed too many contracts. Another problem is that the energy shortage has slowed production," one dealer said.

Early this year the Government attempted to co-ordinate sales of tungsten, of which it has 50 per cent of the world's reserves, by setting up a representative body similar to that being established for rare earths. Tungsten exports doubled in the fourth quarter of last year compared with the third quarter, over-supplying an already depressed market.

Problems in the rare earth industry highlight the conflict among the Chinese corporations. The China Non-ferrous Import and Export Corporation controls about 50 per cent of exports; the China National Metals and Minerals Import-Export Corporation, or Minmetals as it is popularly known, under the jurisdiction of the Ministry of Foreign Economic Relations and Trade (Mofert), controls 25 per cent; and the China Metallurgical Import and Export Corporation, under the Ministry of Metallurgical Industry, also controls 25 per cent.

Officials at the Non-ferrous Corporation are, in principle, in charge of all rare earth exports, but control only half because many of the reserves, which amount to at least five times that of the rest of the world, are found in mines run by the Ministry of Metallurgical Industry. The officials will not say exactly how much has been exported, though the total is believed to have been about 20m tonnes a year in recent years, with a sudden jump in the second half of last year.

Mofert has no mines of its own, but, remarkably, has been securing supplies by offering mines under the jurisdiction of Non-ferrous and Metallurgy Minlstries more money than their own governing body is prepared to pay. As a Non-ferrous Corporation official explained: "It is now their right to do this. The mine owners now have the authority because we have been trying to decentralise."

Mr Niu Yinjian said the Government's aim in reorganising metal and mineral exports is to find a balance between decentralisation and control. He was confident that in his particular area, rare earths, China will not suffer because of its tarnished reputation: "It is not a big problem. A lot of our rare earths have been produced in many other countries.

The Chinese have even refused to negotiate with their largest rare earth buyers, the Japanese, in recent months. Mr Niu said this was because "we have a period of adjustment," but a Japanese company representative said simply that the Chinese were "very unreliable."

Tungsten policy under attack

BY A SPECIAL CORRESPONDENT IN VANCOUVER

CHINESE REPRESENTATIVES at the Primary Tungsten Association's fourth International Tungsten Symposium in Vancouver this week were left in no doubt that their country was held largely responsible for the low prices which have forced the closure of most mines in the West.

With US/Chinese negotiations on an orderly marketing agreement still in progress, however, delegates were not surprised that little was learned about China's tungsten export policy, which has seen sales recently at or below concentrates costs.

Mr Jocelyn Waller, of Charter Consolidated, which owns Beralt, the Portuguese tungsten producer, suggested that China should close the "back door" into Hong Kong, through which he said tungsten materials were leaking into the market, and buy back the 3,000 tonnes traders hold there, in order to boost prices.

The Chinese should limit barter sales to the Soviet Union and Eastern Europe, he added, because some of that tungsten was being sold on and driving the price down further.

They should also stop selling forward at prices linked to the quotation in London's Metal Bulletin magazine, which Mr Waller claimed was vulnerable to manipulation, and they should charge more for their ferro tungsten.

An official of Minmetals (the China National Metals and Minerals Import-Export Corporation) described the suggestions as "constructive."

The symposium had earlier considered the supply and demand balance for Tungsten prepared by the Primary Tungsten Association. This showed world production of Tungsten ores and concentrates falling 1,400-1,600 tonnes behind consumption in 1987-88. The projected shortfall represented 9-10 per cent of western consumption

The implied drawndown in consumer stocks suggested the possibility of a price increase in the short term. In the look was less encouraging medium term, however, the out-

Tight supplies lift wood pulp prices

BY ROBERT GIBBENS IN MONTREAL

WORLD PRICES for bleached kraft wood pulp and for lightweight coated paper used in advertising inserts are taking another upward step.

Weyerhaeuser Inc, a major North American supplier of Northern softwood pulp to world markets, has increased its European and Asian prices by $25 to $635 a tonne and its domestic US price from $575 to $610.

The move, effective October 1, follows increases announced by Swedish producers in the European market, and is expected to be followed by other North American producers because of the tightness of the market. Some North American pulp producers have put some grades on allocation.

Pulp prices have been rising steadily over the past two years and the latest increase is expected to lead to higher newsprint prices before long, and also increases in other grades of paper.

Christopher Stobart reports on Brazil's power problems

Electric shocks for aluminium producers

ALUMINIUM SMELTING is an energy intensive industry and in recent years Brazil has been able to offer producers the ideal conditions to take advantage of that fact. The country's policy of encouraging industry with cheap electricity has been enhanced for aluminium companies with prices even lower than those charged to other industrial users.

The confidence of the Brazilian industry has been severely shaken this year, however, by the discovery that its apparently secure supply of cheap electrical power is neither secure nor particularly cheap any more.

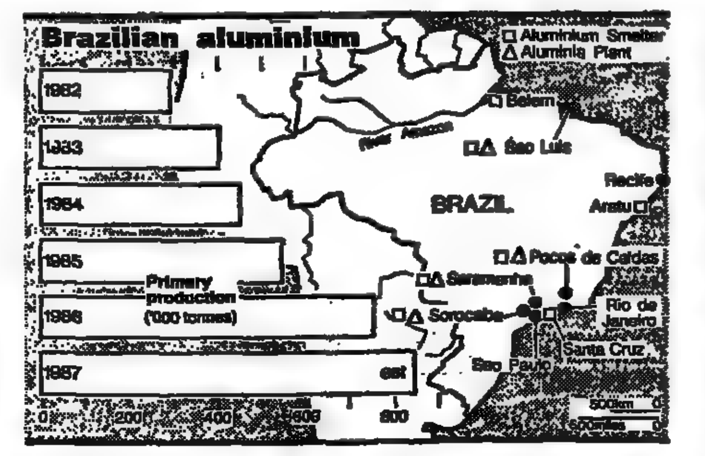
Even after allowing for the country's notoriously high inflation rate, the rise in Brazilian power tariffs to aluminium producers this year means that they are no longer the bargain they used to be. And the exceptionally low rainfall level has caused problems in the supply of hydro-electric power to some plants.

Apart from raw material, electric power is the largest single component in the cost of producing aluminium—the typical smelter uses 15,000 kilowatt hours to produce one tonne of metal.

In the period of more abundant energy supplies since 1980 strong competition has developed between a small number of countries with the natural resources needed to offer attractive power contracts to prospective investors in new primary aluminium smelters.

The leading contenders have been Venezuela, Brazil and the Canadian province of Quebec, all with hydro-electric power; and the Australian states of Queensland and Victoria, with coal-based electric power.

Brazil has been the favourite location, however, and this has been reflected in its production surge from less than 300,000 tonnes in 1982 to a projected 843,000 tonnes this year. This has consolidated the aluminium



industry's growing importance as a source of export revenue for Brazil—in 1986 its net earnings rose to $456m. It has confirmed its important role in the industrialisation of the country's under - developed northern region.

During the 1980s Companhia Vale do Dio Doce, the state-owned mining company, has, in a joint venture with a Japanese consortium, brought on stream the 160,000 tonnes-a-year Albras smelter at Belem, near the mouth of the Amazon, and with Billiton of the Netherlands, the 90,000 tonnes-a-year Valesul smelter at Santa Cruz, south of Rio de Janeiro. There are firm plans to double the size of the Albras plant.

In addition Billiton has joined forces with Alcoa of the US to build on the northern coast the 245,000 tonnes-a-year Alumar smelter, the largest of all the Brazilian plants. And it intends to increase Alumar's capacity to 380,000 tonnes a year.

This decade has also seen the expansion of older plants at Soracaba, near Sao Paulo, and Aratu, on the northern coast.

Proponents of further expansion have been given food for thought this year, however, by a double blow to the industry's economic base.

Four increases in power tariffs during the first half of the year added up to a rise of 306 per cent in local currency terms and nearly 40 per cent in dollar terms.

More serious, however, has been the loss of reliability of power supplies to some plants.

The problem has been confined to the region in the north-east of the country served by the Companhia Hidro-Electrica de SanFrancisco (CHESF), which generates all its power from the San Francisco river, but it has been bad enough to cause production losses of almost 4,000 tonnes a month, worth over $6m at the current price level.

Rainfall in the wet season of late 1986 and early 1987 was the lowest for 54 years, while demand for power was abnormally heavy. To make matters worse there have been delays in the construction of a new 1,500 mw station in the company's system. This was due to produce power in 1986 but will now not be on stream until the end of this year at the earliest.

The smelters hit by the power shortage are Alcoa and Billiton's Alumar and Alcan's Aratu. Doubts about the availability of power are also delaying a decision on the expansion of the Alumar plant.

The neighbouring utility, Electronorte, has a surplus of power from its Tucurui hydro-electric station which would be more than sufficient to make up the CHESF deficit. But the transmission capacity between the two systems is limited to a single 500 kv line, and that is already overstretched. A branch of that line supplies Alumar, which is why that smelter has had to suffer from the power shortage.

Six construction companies are working on the doubling of the 800 km line, but their work is not likely to be completed before April next year.

By then, assuming a normal rainy season, normal service should have been restored anyway.

The fundamental problem of insufficient investment in the generation, transmission and distribution of electrical power to meet a demand which has been growing at more than 7 per cent a year since 1980 will remain, however.

The plain fact is that Brazilian utilities have been selling power too cheaply.

A recent government report warned that the risk of power shortages in the south and south-east of the country have increased significantly and that sustained capital investment of the order of $6bn a year will be required if forecast demand is to be met. Otherwise the region could be faced with the sort of problems now being seen in the north-east.

The only available source of major finance, however, is the World Bank, which will only lend on the condition that power tariffs will be raised to produce a 10 per cent return on capital employed by 1990—hence the steep rise in charges this year.

Given that the return was negative last year further large price increases appear inevitable, and the days of offering such generous terms to aluminium producers in Brazil must surely be numbered.

Christopher Stobart is a director of Commodities Research Unit.

LONDON MARKETS

THE LONDON Metal Exchange copper market extended its upward run to fine trading days yesterday as strength in the New York market continued to stimulate demand. The cash Grade A position rose £14 to £1,099 a tonne, taking the rise in the past week to £58.50 and establishing a fresh 4½-year high in dollar terms. Traders said sentiment in New York was boosted by the achievement of the crucial 80 cents a lb chart objective. In London this was reflected in further trade and speculative buying throughout the afternoon. They added that the upward move was bolstered by renewed "borrowing" (buying cash and selling forward) which widened the cash premium over three months copper by £1 to £15.50 a tonne. Copper's strength helped lead and zinc prices to post modest rises, but aluminium and nickel both eased back a little.

LME prices supplied by Amalgamated Metal trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.) $ per tonne	+ or —	High/Low
Cash	1674-6	—	1675
3 months	1640-5	—2.5	1628/1624

Official closing (am): Cash 1,650-60 (1,660-70), three months 1,624-8 (1,640-50), settlement 1,660 (1,670). Final Kerb close: 1,640-5. Ring turnover: 300 tonnes.

ALUMINIUM—99.5 per cent

99.5% purity	$ per tonne		
Cash	992-5	—3.5	990/989
3 months	972-5	—3	974/965

Official closing (am): Cash 989.5-90 (997-8), three months 967-7.5 (975-6), settlement 990 (998). Final Kerb close: 971-2. Ring turnover: 3,600 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	1098.5-9.5	+14	1099/1091
3 months	1083-4	+15	1084/1067

Official closing (am): Cash 1,091-2 (1,081-2), three months 1,075-5.5 (1,067-8), settlement 1,092 (1,082). Final Kerb close: 1,083.5-84.

STANDARD

Standard			
Cash	1086-94	+9.5	—
3 months	1079-89	+14	—

Official closing (am): Cash 1,080-5 (1,076-80), three months 1,070-3 (1,062-5), settlement 1,085 (1,080). US Producer prices 80-86 cents a pound. Total ring turnover: 75,550 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	414-5	+2.5	417.75/417
3 Months	396.5-97	+1.75	398/395

Official closing (am): Cash 417.5-8 (415-6), three months 397-7.5 (393.5-4.5), settlement 418 (416). Final Kerb close: 395.5-96. Ring turnover: 8,200 tonnes. US Spot: 42 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	3200-5	—2.5	3200
3 months	3205-10	—	3228/3190

Official closing (am): Cash 3,198-202 (3,185-95), three months 3,205-10 (3,180-5), settlement 3,202 (3,195). Final Kerb close: 3,190-200. Ring turnover: 876 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	460.5-61	+7.25	—
3 months	465.5-66	+8.25	466/465

Official closing (am): Cash 460.5-1.5 (447-7.5), three months 465-6 (452-3), settlement 461.5 (447.5). Final Kerb close: 465-6. Ring turnover: 7,825 tonnes. US Prime Western: 43-47.5 cents a pound.

TIN

KUALA LUMPUR TIN MARKET—Close: 16.88 (16.85) ringgit per kg. Up 0.03.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.	Calls Jan.	Puts Nov.	Puts Jan.
Aluminium 99.7%	—	—		—	
Aluminium 99.5%	1,575	—	64½	45	91
	1,600	75	55	66	105½
	1,625	61	—	—	—
Copper (Grade A)	1,725	—	—	38	73½
	1,750	92½	84½	48	85
	1,800	57½	63½	—	—
Copper (Grade A) £/tonne	1050	—	—	17	38
	1075	41	45	27	48
	1100	29	34½	—	—

Estimates

GOLD

GOLD BULLION (fine ounce) Sept. 10

Close	$459¾-460¼	(£279¼-279¾)
Opening	$457-457½	(£278¼-278¾)
M'n'g fix	$461.00	(£280.000)
Aft'n'n fix	$460.20	(£279.214)
Day's high	$461¼-461¾	—
Day's low	$456¾-457¼	

GOLD AND PLATINUM COINS

Am Eagle	$473-478	(£287-290½)
Mapleleaf	$475¼-476¾	(£287¾-289¼)
Kr'g'r'nd	$458-461	(£278-280)
½ Krug.	$234½-243½	(£147¾-148½)
¼ Krug.	$116¼-124¼	(£70¼-75½)
Angel	$471-474	(£285¼-288¼)
1/10 Angel	$45½-50½	(£27¾-30½)
New Sov.	$108-109	(£65½-66¼)
Old Sov.	$108-109½	(£65½-66½)
Noble Plat.	$606-614	(£368¼-373¼)

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 97.75p per kg lw (—0.73). GB—Sheep 163.44p per kg est dcw (—6.88). GB—Pigs 77.87p per kg lw (+2.10).

INDICES

REUTERS

Sept. 10	Sept 9	M'th ago	Year ago
1655.5	1648.1	1647.4	1497.4

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Sep. 9	Sept. 8	M'th ago	Year ago
Spot	128.16	127.94	—	121.95
Fut	131.21	130.78	—	122.70

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Sept. 10 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	[illegible]	—10	[illegible]
Copper			
Cash Grade A	£1099	+14	£1045.5
3 months	£1083.5	+15	[illegible]
Gold Troy oz	$460	+2.5	[illegible]
Lead Cash	£414.5	+2.5	[illegible]
3 months	£396.75	—1	£390.5
Nickel			
Free Mkt	[illegible]	[illegible]	[illegible]
Palladium oz	$137.50	+0.5	$142.75
Platinum oz	$587.50	+1	$628.00
Quicksilver†	$200/210		$270/275
Silver troy oz	461.65p	+8.70	497.25p
3 months	473.20p	+8.85	510.15p
Tin			
free Mkt	[illegible]	+55	[illegible]
Tungsten	$55.47		$53.69
Wolfram 22.04lb	$45/55		$43/55
Zinc	$460.75	+7.25	$507.5
3 months	$465.75	+8.25	$506.25
producers	$860		$860
OILS			
Coconut (Phil)	$465u	—5	$460
Palm Malayan	$325z	—2.5	$300
Seeds			
Copra (Phil)	$520		$500
Soyabean (U.S.)	$149.5		$149.5
GRAINS			
Barley Fut. Nov.	£100.90	+0.85	£100.10
Maize	£156.00		£153.00
Wheat Fut. Nov.	£105.80	+0.80	£101.80
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1205.5	+5	£1295.5
Coffee Ft. Nov	£1329.5	—5	£1300.5
Cotton A Ind.*	82.25c	—1.35	86.10c
Gas Oil. Nov.	$158.75	—2.75	$156.25
Rubber (kilo)	70p		70.25p
Sugar (raw)	$158.8u	+3.8	$153
Wooltops 64s	485p kilo	—7	512p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. v Oct. x Aug-Sept. w Oct-Nov. u Sept-Oct. y Nov. z Dec.

SILVER

Silver was fixed 8.7p an ounce higher for spot delivery on the London bullion market at 461.65p. US cent equivalents of the fixing levels were: Spot 758.5c, up 7.85c; three-month 773.2c, up 7c; six-month 788.7c, up 7.2c; and 12-month 821.25c, up 8.4c. The metal opened at 457-458½p (751-753c) and closed at 462-463½p (761-763c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoff'l	+ or —
Spot	461.65p	+8.70	758c	+5
3 months	473.20p	+8.85	773c	+5
6 months	485.10p	+8.85	—	—
12 months	508.75p	+8.25	—	—

LME—Turnover: Nil (1) lots of 10,000 ounces.

Three months final kerb: 771-3c.

COFFEE

Persistent trade selling kept Robustas under pressure and easily absorbed commission house buying, reports Drexel Burnham Lambert. With some origins very close to current levels, dealers were happy to sell into the market.

COFFEE	Yesterday close	+ or —	Business done
Sept	1291-1292	—10.5	1310-1291
Nov	1329-1330	—5.0	1344-1323
Jan	1355-1356	—4.0	1369-1350
Mar	1370-1374	+0.5	1380-1364
May	[illegible]	[illegible]	[illegible]
July	1410-1417	+5.0	1415-1405
Sept	1430-1437	+3.5	1435-1420

Sales: 3,129 (3,033) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for September 9: Comp. daily 1979 107.78 (108.19); 15-day average 108.19 (102.41).

COCOA

Futures, despite trading in good volume, were confined to a narrow range. Manufacturers were again prominent, but origins remain reluctant to participate, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
Sept	1167-1173	+4.5	1174-1170
Dec	1205-1206	+5.0	1213-1200
March	1236-1238	+4.5	1243-1230
May	1259-1260	+5.5	1265-1258
July	1278-1281	+4.5	1286-1277
Sept	1298-1301	+4.5	1304-1295
Dec	1319-1322	+3.0	1327-1317

Sales: 4,113 (6,688) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for September 10: 1,505.18 (1,486.48); 10-day average for September 11: 1,553.75 (1,564.41).

FREIGHT FUTURES

Uncertainty prevailed during a very quiet day, giving rise to wide spreads. Switching between October and January was evident. Little physical news was reported except a rumoured Gulf/Taiwan fixture at $15.50 which was felt to be slightly bearish, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Oct.	1086	1087/1075	1090/1095
Jan.	1105/1110	1110/1090	1115
Apr.	1175/1180	1180	1180
July	1085	1085	1080/1090
Oct.	1140	—	1100
Jan.	1160	—	1120
April	1210	—	1200
BFI.	1061.5	—	1061.5

Turnover: 71 (32).

GRAINS

Consumer buying pushed wheat values to further contract highs but then prices eased. Barley attempted to steady but closed with shippers keen to liquidate long positions, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
Sep.	105.15	+0.70	98.65	+0.50
Nov.	105.80	+0.20	100.90	+0.05
Jan.	108.60	+0.20	103.80	+0.20
Mar.	110.60	+0.20	106.05	+0.35
May	113.15	+0.30	107.60	—
July	115.50	+0.25	—	—

Business done—Wheat: Sept 105.50-4.95, Nov 106.50-5.80, Jan 108.50-8.15, March 111.00-10.60, May 113.50-3.10, July 115.80-5.50. Sales: 568 lots of 100 tonnes. Barley: Sept 98.65, Nov 101.05-0.90, Jan 103.80-3.70, March 106.05-6.00, May 107.60. Sales: 176 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: Oct 95.75, Nov 97.00. US No 2 Soft Red Winter: Oct 92.00, Nov 92.25. French 11½-12 per cent: Oct/Nov 137.50, Jan/March 142.00, April/June 146.00 sellers. English feed, fob: Oct 107.25-107.75, Oct/Dec 108.50-109.00, Jan/March 112.00-112.80, April/June 115.50-116.00 buyer/sellers. Maize: US No 3 Yellow/French, transhipment East Coast: Sept 158.00 sellers. Barley: English feed: Jan/March 109.00 buyer English.

HGCA — Locational ex-farm spot prices. Feed barley: S. East 94.90, W. Midlands 94.20, N. West 96.40. The UK monetary coefficient for the week beginning Monday September 14 will remain unchanged.

POTATOES

The market again took its cue from weather prospects, and with the immediate forecast remaining unsettled, futures held steady. The day's range was quickly established during early trade and the bulk of the session saw limited movement in thin volume, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov.	85.60	85.80	86.00-85.50
Feb.	93.00	92.80	—
March	85.50	86.00	86.00
Apr.	133.90	132.80	134.20-133.00
May	146.50	146.80	148.00-147.50

Sales: 328 (618) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel) Sept.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.08-17.15	+0.14
Brent Blend	18.42-18.45	+0.395
W.T.I. (1pm est)	19.65-19.70	+0.55
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	172-175	—
Gas Oil	155-158	+1.5
Heavy fuel Oil	95-98	+2
Naphtha	156-158	+2

Petroleum Argus estimates

SOYABEAN MEAL

	Yesterday's close £ per tonne	+ or —	Business done
October	130.5-132.0	+0.35	—
Dec.	127.5-129.5	—0.85	—
Feb.	129.5-130.5	+0.15	130.0
April	128.5-131.5	+0.65	130.5
June	125.5-128.0	+0.50	128.0
August	124.5-126.0	+0.25	124.7
October	125.5-127.0	+0.25	—

Sales: 198 (803) lots of 20 tonnes.

US MARKETS

AFTER A quietly steady morning, precious metals moved higher in the afternoon on trade buying in gold and fund and speculative buying in silver, which touched off stops, reports Drexel Burnham Lambert. At the highs profit-taking emerged to pare gains. Copper steadied on fund and trade buying before settling in mid-range on profit-taking. Crude oil rallied on fund and trade buying which touched off commission house stops before good trade selling above $19.70, basis October, pulled prices back. Cocoa manufacturer, trade and local buying firmed cocoa in early trading, forcing commission houses and speculators to cover their short positions. The market then drifted lower on arbitrage and speculative selling before trade buying re-emerged. Sugar fell on trade selling and remained on the defensive until commission house and trade buying steadied the market towards the close. Coffee fell on local and trade selling before commission house buying emerged at the lows. Cotton firmed on commission house short-covering in the face of trade selling as the market awaited yesterday's crop report. Orange juice was mixed as commission houses sold September and bought November. Live cattle and feeder cattle moved lower on technical selling and profit-taking. Hogs and pork belilies eased in response to large hog runs and lower cash prices. Maize firmed on commercial buying. Professional buying firmed soyabean meal but spread selling in the oil eased prices despite reports that India had bought soyabean oil.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	Prev	High	Low
Sept	78.25	80.00	78.50	78.50
Oct	78.30	78.90	—	—
Nov	77.20	77.70	—	—
Dec	76.25	76.50	77.00	76.50
Jan	74.85	75.85	73.50	73.50
March	72.35	73.25	—	—
May	69.45	70.35	—	—
July	67.75	68.55	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
Sept	1861	1860	1876	1860
Dec	1877	1865	1878	1858
March	1900	1889	1898	1883
May	1916	1915	1923	1910
July	1941	1943	1947	1930
Sept	1963	1964	1975	1962
Dec	1993	1995	2000	1990

COFFEE "C" 37,500 lbs, cents/lb

	Close	Prev	High	Low
Sept	115.25	116.30	116.50	114.50
Dec	117.70	118.65	118.20	117.00
March	121.02	121.56	121.50	120.40
May	122.25	122.80	122.75	122.20
July	124.75	124.50	124.00	123.75
Sept	124.05	124.50	—	—

COPPER 25,000 lbs, cents/lb

	Close	Prev	High	Low
Sept	81.05	80.40	81.50	80.10
Oct	80.75	79.55	—	—
Nov	80.20	79.00	—	—
Dec	79.70	78.45	80.30	78.60
Jan	79.05	77.85	—	—
March	77.80	76.65	78.15	76.85
May	77.10	76.05	77.15	76.60
July	76.20	75.80	—	—
Sept	76.30	75.65	76.75	76.25
Dec	76.20	76.60	76.80	75.25

COTTON 50,000 lbs, cents/lb

	Close	Prev	High	Low
Oct	73.25	73.15	74.60	73.25
Dec	73.04	72.65	74.20	73.00
March	74.45	74.07	75.40	74.40
May	74.95	74.55	75.90	74.95
July	74.45	74.05	75.40	74.60
Oct	66.25	66.35	66.95	66.50
Dec	65.30	65.15	67.20	66.20

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
Oct	19.71	19.32	19.75	19.26
Nov	19.49	19.22	19.52	19.22
Dec	19.38	19.17	19.43	19.16
Jan	19.36	19.14	19.35	19.14
Feb	19.29	19.13	19.34	19.20
March	19.27	19.13	19.27	19.26
April	19.30	19.13	19.30	19.15
May	19.22	19.13	19.22	19.22
June	19.20	19.13	19.20	19.20
July	19.10	19.13	19.10	19.10

SPOT PRICES: Chicago loose lard 15.50 (same) cents per pound. Handy and Harman silver bullion 784.0 (750.5) cents per troy ounce. New York tin 318-319 (same) cents per pound.

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
Sept	463.1	465.9	468.5	459.5
Oct	464.9	458.9	467.0	461.3
Nov	466.9	461.8	—	—
Dec	470.6	464.5	472.0	466.7
Feb	476.9	470.7	477.5	474.0
April	483.2	476.9	483.0	479.5
June	489.7	483.3	486.0	485.7
Oct	503.6	496.9	499.5	499.5
Dec	510.6	503.9	507.6	506.5
Feb	517.9	511.1	517.0	516.3
June	532.7	525.7	—	—

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
Oct	53.10	52.31	53.15	52.20
Nov	53.50	52.86	53.65	52.85
Dec	54.05	53.50	54.15	53.45
Jan	54.70	54.05	54.75	54.05
Feb	54.75	54.30	54.80	54.35
March	53.30	53.00	53.30	53.25
April	52.10	51.85	52.10	51.80
May	50.60	50.75	—	—
June	50.40	50.35	—	—

ORANGE JUICE 15,000 lbs, cents/lb

	Close	Prev	High	Low
Sept	138.00	136.80	138.00	137.25
Nov	131.75	131.50	132.00	131.05
Jan	130.05	130.15	130.35	129.60
March	130.50	130.50	130.70	130.30
May	130.95	130.95	131.00	130.80
July	130.95	131.25	—	—
Sept	131.15	131.25	131.00	131.00

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
Oct	601.5	593.0	603.0	590.0
Jan	609.2	600.8	611.0	597.5
April	617.4	609.0	613.0	[illegible]
July	625.6	617.2	622.0	617.0
Oct	634.1	625.7	—	—

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
Sept	804.0	762.0	808.0	760.0
Oct	806.7	765.6	—	—
Dec	817.0	765.5	824.0	767.5
Jan	822.1	770.4	—	—
March	834.6	782.4	837.0	787.5
May	846.5	793.0	843.0	798.0
July	859.0	805.9	858.5	813.0
Sept	871.9	818.3	849.0	849.0

SUGAR WORLD "11" 112,000 lbs, cents/lbs

	Close	Prev	High	Low
Oct	6.15	6.10	6.20	6.05
Jan	6.43	6.30	6.45	6.35
March	6.89	6.81	6.91	6.78
May	7.08	7.00	7.10	6.98
July	7.24	7.16	7.25	7.14
Oct	7.48	7.38	7.50	7.35
Jan	7.70	7.59	—	—

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lbs

	Close	Prev	High	Low
Oct	[illegible]	68.30	68.60	68.02
Dec	[illegible]	68.72	68.90	68.32
Feb	[illegible]	68.52	68.72	68.05
April	[illegible]	69.37	69.45	68.85
June	[illegible]	68.82	68.80	68.55
Aug	[illegible]	67.32	67.65	67.28
Oct	[illegible]	66.25	66.60	65.15

LIVE HOGS 30,000 lbs, cents/lbs

	Close	Prev	High	Low
Oct	[illegible]	50.46	50.95	49.90
Dec	[illegible]	46.52	49.25	47.65
Feb	[illegible]	46.82	47.05	45.45
April	[illegible]	43.32	43.65	42.52
June	[illegible]	45.00	45.05	44.85
July	[illegible]	45.20	45.25	44.50
Aug	[illegible]	43.90	44.20	43.10
Oct	[illegible]	41.30	41.20	41.00

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	Prev	High	Low
Sept	166.4	163.0	166.0	162.4
Dec	175.0	173.6	175.0	172.6
March	185.0	183.2	185.0	182.2
May	190.0	183.8	190.0	187.2
July	192.2	190.6	192.2	190.0
Sept	191.0	189.4	191.0	189.2
Dec	197.0	195.0	197.0	194.6

PORK BELLIES 38,000 lbs, cents/lbs

	Close	Prev	High	Low
Feb	59.55	[illegible]	61.70	59.50
March	58.95	[illegible]	60.75	58.70
May	59.50	[illegible]	61.25	59.10
July	59.80	[illegible]	60.80	59.50

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	Prev	High	Low
Sept	524.2	514	524.2	516.0
Nov	525.2	514	525.4	517.4
Jan	531.2	524	531.2	523.0
March	537.2	530	537.4	529.4
May	542.4	536	543.0	534.4
July	544.0	537	544.4	537.5
Aug	540.0	533	540.4	537.4
Sept	535.4	530	535.4	530.4

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
Sept	171.9	169.7	172.0	168.5
Oct	167.6	164.1	167.8	163.5
Dec	165.6	162.2	165.8	161.7
Jan	164.5	161.2	164.5	160.5
March	163.5	160.2	163.5	160.0
May	163.5	160.2	163.5	160.0
July	162.0	160.1	162.0	159.5
Aug	159.5	161.0	159.0	160.0
Sept	159.5	159.7	159.0	159.0

SOYABEAN OIL 60,000 lbs, cents/lbs

	Close	Prev	High	Low
Sept	15.76	15.80	15.94	15.70
Oct	15.85	15.91	16.07	15.79
Dec	16.24	16.26	16.45	16.15
Jan	16.39	16.42	16.60	16.35
March	16.70	16.76	16.90	16.65
May	16.99	17.00	17.15	16.95
July	17.15	17.20	17.35	17.10
Aug	17.20	17.30	17.45	17.20
Sept	17.25	17.27	17.55	17.30
Oct	17.34	17.25	17.35	17.34

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	Prev	High	Low
Sept	282.6	283.6	283.2	280.6
Dec	298.6	296.4	297.4	295.0
March	303.2	301.4	303.4	300.4
May	295.4	294.0	297.4	295.2
July	284.4	282.0	285.0	282.0
Sept	287.4	286.0	287.4	287.4

SUGAR

LONDON DAILY PRICE—Raw sugar $158.80 (£96.80), up $3.80 (up £3.20) a tonne for September-October delivery. White sugar $186.00, up $1.00.

	Yesterd'y's close	Previous close	Business done
	$ per tonne		
No. 6 Raw			
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	—
No. 5 Whites			
Oct	[illegible]	181.6-182.0	184.6-182.0
Dec	[illegible]	183.6-184.0	184.8-182.8
Mar	[illegible]	187.0-188.0	189.8-187.0
May	[illegible]	190.5-191.0	192.0-190.0
Aug	[illegible]	194.0-196.0	196.5-194.2
Oct	[illegible]	197.5-198.0	198.5
Dec	201.0	192.5	—

Sales: No 6 3[illegible] (6,582) lots of 50 tonnes; No 5 2,[illegible] (2,386).

Tate and Lyle delivery price for granulated basis sugar was £200.00 (£198.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for September 9: Daily price 5.78 (5.53); 15-day average 5.46 (same).

GAS OIL FUTURES

Month	Yesterday's close	+ or —	Business done
	US$ per tonne		
Oct	157.75	+3.25	157.75-55.75
Nov	158.75	+2.75	158.75-57.00
Dec	160.75	+2.75	160.75-58.50
Jan	160.50	+1.25	160.50
Feb	161.50	+2.00	—

Turnover: 4,163 (477) lots of 100 tonnes.

RUBBER

PHYSICALS—Closing prices (buyers): Spot: 70.00p (same) Oct 69.00p (68.75p): Nov 69.25p (69.00p). The Kuala Lumpur fob prices (Malay/Singapore cents) per kg were: RSS No 1 286.0 (same); SMR 20 2[illegible] (240.5).

هكذا من الأصل

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Short covering boosts dollar

AS THE market reached a state of complete confusion about today's US trade figures the only safe course was to buy the dollar, in an attempt to square positions, or at least limit potential losses.

Forecasts for the July deficit have been in the region of $15bn and $16bn, compared with $15.71bn in June, but the range of estimates covers from $13bn to $17bn, and it has been rumoured the figures could be as high at $20bn.

With so many different forecasts it is not clear what the initial impact of a deficit in the region of $16bn will be, and how much this has already been discounted.

Yesterday's news of a cut in the Japanese trade surplus, including a reduction in the surplus with the US, provided the dollar with support but also added to the confusion. The Japanese figures were for August, and the US figures will be for July, when the Japanese surplus was much higher.

On the other hand the news did encourage hopes that even if the US deficit is bad in July there will have been an improvement in August.

The dollar moved back above DM 1.80, rising to DM 1.8065 from DM 1.7965. It also improved to Y142.50 from Y141.55; to SFr 1.4950 from SFr 1.4870; and to FFr 6.0425 from FFr 6.0125.

On Bank of England figures the dollar's index rose to 100.8 from 100.4.

STERLING — Trading range against the dollar in 1987 is 1.6885 to 1.4710. August average 1.5985. Exchange rate index was unchanged at 72.9, compared with 72.1 six months ago.

Sterling remained quiet. The UK retail prices index for August will be published today and is expected to show little or no change in the level of year-on-year inflation. It appears likely the pound will be more affected by the US trade figures.

The pound lost ground to a firmer dollar, but was stronger against European currencies and the yen.

Sterling fell 60 points to $1.6445-1.6455, but rose to DM 2.9725 from DM 2.9650; to FFr 9.94 from FFr 9.9275; to SFr 2.46 from SFr 2.4550; and to Y234.50 from Y233.75.

D-MARK — Trading range against the dollar in 1987 is 1.9196 to 1.7690. August average 1.8573. Exchange rate index 147.0 against 146.8 six months ago.

The D-Mark eased against the dollar in thin Frankfurt trading. The US currency rose to DM1.8035 at the Frankfurt close from DM1.7940, the highest finishing level of the week.

The Bundesbank did not intervene in Frankfurt, when the dollar was fixed at DM1.8053, compared with DM1.7928 on Wednesday. The fixing was near the upper end of a narrow trading range in the morning, as the US currency gained on covering of short positions ahead of the US trade figures.

Dalers were divided about the likely impact of the figures, with some indicating an increase in the July deficit was already discounted, while others said the dollar will soon test the lows seen earlier this year, but the downward trend would include temporary rallies.

JAPANESE YEN — Trading range against the dollar in 1987 is 159.45 to 138.35. August average 147.57. Exchange rate index 223.1 against 209.8 six months ago.

The yen lost ground to the dollar in Tokyo as the Japanese trade surplus declined in August. Rumours the surplus would be lower led to a rise in the dollar during the morning, but dealers reported strong selling interest at around Y143. The dollar touched a peak of Y142.95, before closing at Y142.65 in Tokyo, compared with Y141.45 on Wednesday.

In August the Japanese trade surplus fell to $5.15bn from $8.95bn in July, and from $7.48bn a year earlier. Japan's surplus with the US was cut to $3.73bn in August from $4.79bn the previous month, and from $4.41bn in August 1986

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept 9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0713	+1.44	+0.70	±1.5344
Danish Krone	7.85212	8.02472	+2.20	+1.46	±1.6404
German D-Mark	2.05853	2.07207	+0.66	−0.08	±1.0981
French Franc	6.90403	6.93522	+0.45	−0.29	±1.3674
Dutch Guilder	2.31943	2.33239	+0.56	−0.18	±1.5012
Irish Punt	0.768411	0.778639	+1.33	+0.59	±1.6684
Italian Lira	1,483.58	1,501.89	+1.23	+1.14	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Sept. 10	Latest	Previous Close
£ Spot	1.6590-1.6600	1.6460-1.6470
1 month	0.32-0.30pm	0.32-0.31pm
3 months	1.01-0.98pm	1.00-0.97pm
12 months	3.15-3.05pm	3.00-2.90pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Sept. 10	Previous
8.30 am	72.9	73.1
9.00 am	72.8	73.1
10.00 am	72.9	73.2
11.00 am	72.9	73.2
Noon	72.9	73.1
1.00 pm	72.9	73.2
2.00 pm	73.0	73.1
3.00 pm	73.0	73.1
4.00 pm	72.9	72.9

CURRENCY RATES

Sept. 10	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.78683	0.697327
U.S. Dollar	5.5	1.29990	1.14748
Canadian $	8.75	*	1.51773
Austrian Sch.	4	N/A	14.5864
Belgian Franc	7¾	N/A	43.0896
Danish Krone	7	N/A	8.00863
Deutsche Mark	3.0	2.35590	2.07207
Neth. Guilder	4½	N/A	2.33265
French Franc	9½	7.81930	6.93244
Italian Lira	12	N/A	1501.78
Japanese Yen	2½	184.520	163.535
Norway Krone	8	N/A	7.61047
Spanish Peseta	—	N/A	139.186
Swedish Krona	7½	N/A	7.38525
Swiss Franc	3.5	N/A	1.71549
Greek Drach.	20½	N/A	158.325
Irish Punt	—	N/A	0.777616

*C$/SDR rate for Sept. 9: 1.71764

CURRENCY MOVEMENTS

Sept. 10	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.9	−20.6
U.S. Dollar	100.8	−6.2
Canadian Dollar	78.0	−10.2
Austrian Schilling	137.8	+10.1
Belgian Franc	99.8	−4.7
Danish Krone	90.7	+0.8
Deutsche Mark	147.0	+21.8
Swiss Franc	173.3	+23.0
Guilder	135.3	+14.5
French Franc	71.3	−13.1
Lira	47.2	−18.4
Yen	223.1	+66.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Sept. 10	£	$
Argentina	3.9140-3.9305	2.3750-2.3840
Australia	2.2615-2.2645	1.3750-1.3765
Brazil	80.6040-81.0420	48.9250-49.1700
Finland	7.2080-7.2205	4.3850-4.3880
Greece	224.75-228.35	136.85-139.05
Hong Kong	12.8430-12.8605	7.7980-7.7990
Iran	117.95*	70.55*
Korea(Sth)	1321.75-1333.75	803.10-809.70
Kuwait	0.46250-0.46300	0.28065-0.28075
Luxembourg	61.70-61.80	37.50-37.60
Malaysia	4.1365-4.1385	2.5115-2.5130
Mexico	2499.25-2509.60	1517.80-1519.00
N. Zealand	2.6665-2.6715	1.6215-1.6295
Saudi Ar.	6.1800-6.1855	3.7500-3.7510
Singapore	3.4410-3.4475	2.0890-2.0985
S. Af. (Cm)	3.3415-3.3570	2.0375-2.0415
S. Af. (Fn)	5.3995-5.5825	3.2785-3.3895
Taiwan	49.40-49.65	30.05-30.15
U.A.E.	6.0520-6.0580	3.6725-3.6735

*Selling rate.

POUND SPOT—FORWARD AGAINST THE POUND

Sept 10	Day's spread	Close	One month	p.a.	Three months	% p.a.
US	1.6400-1.6490	1.6445-1.6455	0.32-0.29 cpm	2.22	1.03-0.98 pm	2.44
Canada	2.1730-2.1796	2.1730-2.1740	0.15-0.05 c pm	0.55	0.40-0.28 pm	0.65
Netherlands	3.32-3.34¼	3.33¼-3.34¼	1¼-1⅛ c pm	4.49	4-3¾ pm	4.64
Belgium	61.58-61.96	61.70-61.80	19-14 c pm	3.21	60-50 pm	3.56
Denmark	11.45½-11.50	11.47½-11.48½	⅜ pm-⅞ ore dis	−0.65	1¼-2⅛ dis	0.61
Ireland	1.1120-1.1175	1.1145-1.1155	0.06-par pm	0.32	0.17-par pm	0.30
W. Germany	2.96½-2.97¾	2.96¾-2.97¾	1½-1¼ pf pm	5.55	4½-4¼ pm	5.89
Portugal	233.38-234.91	233.52-234.48	71-121 c dis	−4.92	240-325 dis	−4.85
Spain	199.03-200.21	199.48-199.95	122-156 c dis	−8.35	254-306 dis	−2.58
Italy	2148¾-2158	2152-2153	5-8 lire dis	−3.62	15-19 dis	−3.16
Norway	10.88½-10.92½	10.89¾-10.90¾	3½-3⅞ ore dis	−4.06	9½-10⅛ dis	−3.60
France	9.91½-9.95¼	9.93½-9.94½	1¾-1½ c pm	1.96	5⅛-4½ pm	1.86
Sweden	10.45¼-10.49½	10.46½-10.47½	¼-⅜ ore dis	−0.57	9⅞-10⅞ pm	−3.75
Japan	234-235	234-235	1¼-1 y pm	5.44	3¾-3⅜ pm	5.97
Austria	20.88-20.96	20.90-20.93	9¾-9 gro pm	5.41	29¼-27¾ pm	5.47
Switzerland	2.45¼-2.46½	2.45½-2.46½	1½-1¼ c pm	6.10	4-3¾ pm	6.30

Belgian rate is for convertible francs. Financial franc 61.95-62.05. Six-month forward dollar 1.92-1.87 c pm. 12-month 3.15-3.05 pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Sept. 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6400-1.6490	1.6445-1.6455	0.32-0.29c pm	2.22	1.03-0.98pm	2.44
Ireland†	1.4732-1.4780	1.4755-1.4765	0.23-0.18c pm	1.67	0.68-0.58c pm	1.71
Canada	1.3205-1.3240	1.3205-1.3215	0.17-0.20c dis	−1.68	0.59-0.62 dis	−1.83
Netherlands	2.0290-2.0350	2.0315-2.0325	0.39-0.36c pm	2.21	1.10-1.07pm	2.14
Belgium	37.50-37.60	37.50-37.60	4-2c pm	0.96	12.00-8.00pm	1.07
Denmark	6.97¼-6.99¼	6.97¾-6.98¼	0.85-1.35ore dis	−1.89	3.30-3.80 dis	−2.04
W. Germany	1.8010-1.8075	1.8060-1.8070	0.52-0.49pf pm	3.36	1.55-1.50pm	3.38
Portugal	142⅞-142⅞	142⅛-142⅜	50-150c dis	−8.43	225-325 dis	−7.73
Spain	120.14-121.55	121.40-121.50	90-120c dis	−10.39	220-270 dis	−8.08
Italy	1307-1310½	1308¼-1308¾	7.00-8.00lire dis	−6.88	18.50-20.50dis	−5.96
Norway	6.62¼-6.63½	6.62¾-6.62¾	3.40-3.60ore dis	−6.33	10.00-10.30dis	−6.12
France	6.03-6.05	6.04-6.04½	0.14-0.24c dis	−0.38	0.85-1.15 dis	−0.66
Sweden	6.36¼-6.36¾	6.36¼-6.36¾	0.80-1.00ore dis	−1.70	2.50-2.80 dis	−1.67
Japan	142.20-142.20	142.45-142.55	0.42-0.39y pm	3.41	1.24-1.19 pm	3.41
Austria	12.69-12.71¾	12.70¼-12.70¾	4.00-3.00gro pm	3.30	11.00-9.00pm	3.15
Switzerland	1.4915-1.4965	1.4945-1.4955	0.48-0.45c pm	3.79	1.46-1.41 pm	3.48

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.65-37.75

EURO-CURRENCY INTEREST RATES

Sept. 10	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9⅞-9⅝	9⅞-9⅝	9⅞-9⅝	10¼-10⅛	10⅜-10¼	10⅝-10½
U.S. Dollar	7¼-7	7⅛-7⅛	7⅛-7⅛	7⅞-7⅝	8-7⅞	8⅛-8⅛
Can. Dollar	9-8⅞	9-8⅞	9-8⅞	9⅜-9⅛	9⅞-9⅝	10⅛-10⅛
D. Guilder	5⅛-5⅛	5⅛-5⅛	5⅛-5⅛	5⅛-5⅛	5⅛-5⅛	5⅝-5½
Sw. Franc	1½-1¼	1½-1¼	3⅛-3⅛	3⅞-3⅝	4⅛-4⅛	4⅛-4⅛
Deutschmark	3⅞-3⅝	3⅞-3⅝	4⅛-4	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛
Fr. Franc	7⅛-7⅛	7⅛-7⅛	7⅞-7⅝	8⅛-8⅛	8⅞-8⅝	9⅛-9⅛
Italian Lira	12-10	17-15	14½-14	13⅞-13⅛	13½-13⅛	13½-13⅛
B. Fr. (Fin.)	6⅛-6⅛	6⅛-6⅛	6⅛-6½	6⅛-6⅛	7⅛-7⅛	7½-7⅛
B. Fr. (Con.)	6-5½	6⅛-5⅛	6½-6⅛	6⅛-6⅛	7⅛-6⅛	7⅛-7⅛
Yen	3½-3⅛	3½-3⅝	4⅛-4	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛
D. Krone	9¼-9⅞	10½-10	10½-10	10½-10⅛	10⅞-10½	11⅛-10⅞
Asian $Sing	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅞-7⅛	8⅛-7⅞	8⅛-8⅛

Long-term Eurodollars: Two years 9⅛-9⅛ per cent; three years 9⅛-9½ per cent; four years 9⅛-9½ per cent; five years 10⅛-9⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sept. 10	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.648	2.973	234.5	9.940	2.460	3.343	2153.	2.174	61.75
$	0.608	1.	1.807	142.5	6.043	1.495	2.032	1309.	1.321	37.55
DM	0.336	0.553	1.	78.89	3.344	0.828	1.124	724.1	0.731	20.77
YEN	4.264	7.015	12.68	1000.	42.39	10.49	14.25	9179.	9.269	263.3
F Fr.	1.006	1.665	2.990	235.9	10.	2.478	3.363	2165.	2.187	62.12
S Fr.	0.407	0.665	1.208	95.33	4.041	1.	1.359	875.0	0.884	25.10
H Fl.	0.299	0.492	0.885	70.16	2.974	0.736	1.	644.0	0.650	18.47
Lira	0.465	0.764	1.381	108.9	4.618	1.143	1.553	1000.	1.010	28.69
C $	0.460	0.757	1.368	107.9	4.573	1.132	1.538	990.3	1.	28.41
B Fr.	1.619	2.664	4.814	379.8	16.10	3.984	5.413	3486.	3.520	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts and bonds below best

TRADING on the London International Futures Exchange was nervous, dominated by concern about today's US trade figures.

December long term gilt futures recovered a little of Wednesday's losses at the Liffe opening. The contract began trading at 113-28, influenced by the improvement in US bonds, but wary about sterling's slide below $1.65.

Gilt futures touched a peak of 114-13, before easing back in line with bonds, to close at 114-03, compared with 113-22 on Wednesday.

US Treasury bond futures gained ground at the Liffe opening, with December delivery starting at 82-04. This followed a recovery in Tokyo, where the benchmark 8⅞ per cent 30-year bond recovered in the cash market as the dollar rose against the yen on a cut in the Japanese trade surplus.

Earlier in Chicago and New York sentiment improved as the dolar recovered, and trader suggested the rise of nearly 50 basis points in bond yields over the past week and a half may bring stability.

Dealers were generally not prepared to go too far ahead of the trade figures however, and December bonds fell back from a high of 83-10, to finish at 82-29, against 82-04 previously.

Japanese Government bond futures were firmer on Liffe, closing at 100.47 for December delivery, compared with 99.90. The contract opened at 100.20, after falling in Tokyo to close at 100.13, from 100.30 on Wednesday, but improving from the opening level of 99.70. Trading in Tokyo was thin, with Japanese bond futures recovering on short covering, on fears of bad US trade figures, which dealers suggested may encourage investors to by Japanese securities as a hedge against losses in US Treasury bonds.

On the other hand rumour that a Japanese mutual savings bank has suffered large losses on bond trading continued to undermine sentiment.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
108	6.33	7.23	0.27	1.11
110	4.54	5.60	0.48	1.48
112	3.26	4.44	1.20	2.32
114	2.15	3.28	2.09	3.16
116	1.24	2.33	3.18	4.23
118	0.53	1.53	4.47	5.41
120	0.29	1.18	6.23	7.06
122	0.15	0.56	8.09	8.44

Estimated volume total, Calls 623 Puts 1,804
Previous day's open int: Calls 19,918 Puts 13,102

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
76	7.19	6.47	0.25	0.45
78	5.42	5.14	0.48	1.17
80	4.03	3.58	1.09	1.56
82	2.45	2.53	1.51	2.51
84	1.39	1.62	2.45	3.60
86	0.56	1.20	3.62	5.18
88	0.29	0.54	5.35	6.52
90	0.14	0.34	7.20	8.32

Estimated volume total, Calls 30 Puts 61
Previous day's open int: Calls 771 Puts 283

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Sept.	Calls—Last Oct.	Puts—Last Sept.	Puts—Last Oct.
22750	2.98	8.03	4.28	4.93
23000	2.02	6.70	5.82	6.10
23250	1.31	5.52	7.61	7.42
23500	0.82	4.50	9.62	8.90
23750	0.48	3.62	11.78	10.52
24000	0.27	2.88	14.07	12.28
24250	0.15	2.26	16.45	14.16
24500	0.08	1.75	18.88	16.15
24750	0.04	1.34	21.34	18.24
25000	0.02	1.02	23.82	20.42

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 479 Puts 237

MONEY MARKETS

Steady trading

CREDIT CONDITIONS remained generally comfortable in London yesterday, but the main concern about interest rates was focused on the dollar and today's US trade figures.

In Frankfurt the domestic day-to-day credit situation was equally calm, with dealers seeing little prospect of any early change in rates, unless there is a move by the US authorities to stem the dollar's decline. The West German Bundesbank council met yesterday, and as expected left credit policies unchanged.

UK clearing bank base lending rate 10 per cent since August 7

The July US trade figures are awaited with some trepidation, however, after rumours of some alarming deficit figures in the region of $20bn. Expectations still point towards a shortfall of around $16bn, but dealers fear that more bad figures on trade will lead to a strong attack on the dollar. This in turn may be met with another rise in the US discount rate, leading to upward pressure on interest rates in other major financial centres.

The mood of uncertainty led to a slight rise in longer term London money market rates, with 12-month funds rising to 10¾-10⅝ per cent from 10⅝-10½ per cent, but three-month money was unchanged at 10¼-10⅛ per cent.

The Bank of England initially forecast a money market shortage of £250m, but revised this to £300m at noon. Total assistance of £155m was given.

Before lunch the authorities bought £50m bank bills outright in band 1 at 9⅞ per cent.

The Bank of England did not intervene in the market in the afternoon, but provided late assistance of around £105m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £190m, with Exchequer transactions absorbing £70m, and a rise in the note circulation £25m.

In Frankfurt call money fell to 3.65 per cent from 3.75 per cent as liquidity in the banking system remained high. Commercial banks held DM 61.7bn in reserve holdings at the Bundesbank on Tuesday, raising the average for the first eight days of September to DM 59bn, against an expected required average of about DM 51bn.

In Paris the Bank of France left is money market intervention rate at 7½ per cent, when injecting a net FFr 9.6bn into the banking system via a two-tranche repurchase agreement against first category paper. The central bank supplied a total of FFr 48.3bn, against maturities of FFr 36.7bn.

In Amsterdam the Dutch Central Bank will hold a tender today for 10-day special advances at an unchanged 5.1 per cent. Dealers suggested the authorities are likely to increase the allocation from the Fl 2.5bn in seven-day advances expiring today.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept.10) 3 months U.S. dollars: bid 7⅞ | offer 7⅞

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	8¾
Broker loan rate	8¾-8
Fed. funds	6⅝
Fed funds at intervention	—

September 10	Overnight	One Month	Two Months
Frankfurt	3.60-3.70	3.80-3.95	3.80-3.95
Paris	7⅛-7½	7⅛-7⅞	7⅞-7⅞
Zurich	⅞-1⅛	3⅛-3⅛	—
Amsterdam	5⅛-5⅛	5⅛-5⅛	—
Tokyo	3.21875	3.71875	—
Milan	11⅛-12⅛	11⅞-12⅞	—
Brussels	4.55	6½-6⅞	—
Dublin	8¾-9	9⅛-9½	9½-9⅞

LONDON MONEY RATES

Sept. 10	Overnight	7 days notice	Month
Interbank	11-8¾	9⅞-9⅞	9⅞-9⅝
Sterling CDs	—	—	9⅞-9⅞
Local Auth'rity Deps.	9½	9⅝	9⅝
Local Authority Bonds	—	—	10
Discount Mkt Deps.	10½-9⅞	9½	9⅝
Company Deposits	9¾	9⅝	9⅞
Finance House Deposits	—	—	9¾
Treasury Bills (Buy)	—	—	9⅝
Bank Bills (Buy)	—	—	9⅞
Fine Trade Bills (Buy)	—	—	10⅛
Dollar CDs	—	—	7.45-7.40
SDR Linked Deposits	—	—	6⅞-6⅛
ECU Linked Deposits	—	—	7⅛-7⅞

Treasury Bills (sell); one-month 9⅞ per cent; three-months ... month 9⅞ per cent; three months 9⅞ per cent; Treasury ... 9.7614 p.c. ECGD Fixed Rate Sterling Export Finance. Make ... for period September 23 to October 25 1987, Scheme I: 11... Reference rate for period August 1 to August 28, 1987, Scheme ... Finance Houses seven days' notice, others seven days' fixed. ... from September 1, 1987: Bank Deposit Rates for sums ... Certificates of Tax Deposit (Series 6); Deposit £100,000 and ... one-three months 8¾ per cent; three-six months 10½ per cent ... 12 months 10¼ per cent; Under £100,000 8 per cent from ... cash 5 per cent.

I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

FT 30			FTSE 100			WALL STREET		
Sept	1765/71	+2	Sept	2257/64		Sept	2573/81	+25
Dec	1799/1806		Dec	2301/2308	−2	Dec	2596/2606	+25

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, September 9, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London, New York, Tokyo, San Francisco, Los Angeles, Toronto.
24-hours a day trading capability.
Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.15565 SDR1=$US1.30065
As of September 9, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	7¾	8⅛
Sibor:	7¾	8⅛

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Gibraltar	Pound*	1.6595	Papua New Guinea	Kina	0.8842
Albania	Lek	6.0862	Greece	Drachma	137.03	Paraguay	Guarani (o)	320.00
Algeria	Dinar	4.67	Greenland	Danish Krone	6.9445		Guarani (p)	550.00
Andorra	French Franc	5.999	Grenada	E. Caribbean $	2.70		Guarani (d)	799.50
	Spanish Peseta	120.45	Guadaloupe	Franc	5.999	Peru	Inti (o) (n)	15.89
Angola	Kwanza	29.918	Guam	U.S. $	1.00		Inti (f)	37.50
Antigua	E. Caribbean $	2.70	Guatemala	Quetzal (o)	1.00	Philippines	Peso	20.63
Argentina	Austral	2.3795		Quetzal (a, f)	2.70	Pitcairn Islands	N.Z. Dollar	1.6039
Aruba	Florin	1.79	Guinea Bissau	Peso (1)	650.00	Poland	Zloty (o)	282.00
Australia	Dollar	1.3729	Guinea Republic	Franc	340.00	Portugal	Escudo	141.40
Austria	Schilling	12.6175		Franc (f)	300.00	Puerto Rico	U.S. $	1.00
Azores	Portuguese Escudo	141.40	Guyana	Dollar	10.00			

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY SEPTEMBER 10 1987					WEDNESDAY SEPTEMBER 9 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (93)	167.98	−0.7	151.39	153.70	2.45	169.18	151.92	154.04	170.35	99.92	78.96
Austria (16)	97.75	−0.7	88.09	91.70	2.27	98.39	88.36	91.73	101.62	85.53	91.74
Belgium (48)	125.78	−1.0	113.36	116.94	4.09	127.11	114.15	117.08	134.89	96.19	90.77
Canada (129)	134.69	+0.8	121.39	128.83	2.32	133.59	119.96	127.73	141.78	100.00	98.63
Denmark (39)	118.07	+0.1	106.42	112.09	2.55	117.94	105.91	111.48	124.83	98.18	92.53
France (121)	114.99	+0.1	103.63	108.99	2.60	114.82	103.11	108.29	121.82	98.39	94.05
West Germany (92)	102.22	+0.8	92.13	96.00	1.98	101.46	91.11	94.76	104.93	84.00	94.12
Hong Kong (45)	144.32	+0.4	130.07	144.50	2.50	143.73	129.07	143.90	147.36	96.89	79.81
Ireland (14)	141.49	−1.4	127.52	135.08	3.34	143.50	128.86	136.25	145.49	99.50	85.64
Italy (76)	87.04	+0.1	78.44	85.05	2.16	86.97	78.10	84.53	112.11	84.22	97.88
Japan (458)	143.28	−1.6	129.14	129.06	0.53	145.61	130.75	130.28	161.28	100.00	99.31
Malaysia (36)	178.69	−0.3	161.05	172.89	2.15	179.20	160.92	173.05	193.64	98.24	91.97
Mexico (14)	422.59	+4.5	380.87	701.38	0.43	404.24	363.00	668.93	422.59	99.72	57.84
Netherland (37)	126.37	+0.9	113.89	117.20	3.85	125.26	112.48	115.60	131.41	99.65	97.85
New Zealand (24)	129.62	−1.4	116.82	111.67	2.70	131.48	118.07	111.88	132.71	83.93	72.08
Norway (24)	178.53	+2.0	160.90	160.53	1.71	174.98	157.13	156.75	179.04	100.00	108.69
Singapore (27)	171.59	−0.5	154.64	165.24	1.48	172.45	154.86	165.82	174.28	99.29	91.45
South Africa (61)	184.60	−0.1	166.37	134.52	3.11	184.86	166.00	134.72	198.09	100.00	99.55
Spain (43)	157.60	−0.7	142.04	145.00	2.75	158.76	142.56	144.99	161.19	100.00	96.61
Sweden (33)	130.91	+0.3	117.98	123.35	1.89	130.46	117.15	122.50	131.45	90.85	96.24
Switzerland (53)	108.18	+0.5	97.50	100.27	1.67	107.63	96.65	99.22	110.00	92.01	92.98
United Kingdom (333)	152.07	−0.2	137.05	137.05	3.27	152.38	136.84	136.84	162.87	99.65	98.28
USA (588)	129.52	+1.0	116.74	129.52	2.83	128.25	115.17	128.25	137.42	100.00	97.94
Europe (929)	126.19	+0.1	113.73	116.54	2.84	126.11	113.24	115.92	128.35	99.78	96.26
Pacific Basin (683)	144.27	−1.5	130.02	130.41	0.69	146.46	131.52	131.54	158.77	100.00	97.85
Euro–Pacific (1612)	137.10	−0.9	123.56	124.87	1.48	138.39	124.27	125.31	143.65	100.00	97.23
North America (717)	129.80	+1.0	116.98	129.51	2.81	128.53	115.42	128.24	137.55	100.00	97.98
Europe Ex. UK (596)	110.13	+0.3	99.26	103.81	2.47	109.79	98.60	102.92	111.97	98.02	95.06
Pacific Ex. Japan (225)	156.41	−0.4	140.97	147.17	2.42	157.04	141.02	147.21	157.85	99.92	79.55
World Ex. US (1816)	137.70	−0.9	124.11	125.44	1.53	138.89	124.72	125.82	143.38	100.00	97.24
World Ex. UK (2071)	132.77	−0.2	119.66	126.14	1.87	132.99	119.43	125.92	138.82	100.00	97.44
World Ex. So. Af. (2343)	134.16	−0.2	120.92	127.06	2.00	134.39	120.68	126.83	139.47	100.00	97.48
World Ex. Japan (1946)	130.30	+0.6	117.44	126.21	2.80	129.52	116.31	125.24	134.03	100.00	96.62
The World Index (2404)	134.49	−0.2	121.21	127.15	2.01	134.72	120.97	126.93	139.73	100.00	97.49

Base values: Dec 31, 1986 = 100

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
		Nov 87		Feb 88		May 88		
GOLD C	$480	34	10.50	46	23	—	—	$460.30
GOLD C	$500	17	6	129	15.50	30	20.50	"
GOLD C	$520	17	3.10B	—	—	—	—	"
GOLD P	$420	—	—	—	—	15	6.20	"
GOLD P	$440	10	4.50	15	8	—	—	"
GOLD P	$460	11	12.50	—	—	15	18	"
		Sept.87		Mar. 87		June 88		
£/Fl C	Fl.330	45	4.50	—	—	—	—	Fl.334.76
£/Fl C	Fl.335	20	0.70	—	—	—	—	"
£/Fl P	Fl.340	50	6.30A	—	—	—	—	"
Dec. 87		Mar. 87		June 88				
£/Fl C	Fl.330	15	4.50B	—	—	—	—	Fl.334.75
£/Fl P	Fl.330	18	3.80	—	—	—	—	"
		Sept. 87		Oct. 87		Nov. 87		
$/Fl. C	Fl.190	60	13.30	—	—	—	—	Fl.203.07
$/Fl. C	Fl.200	158	3.70	59	4.60	10	5.40	"
$/Fl. C	Fl.205	1108	0.80	83	2	10	3	"
$/Fl. P	Fl.195	—	—	13	0.80	4	1.40	"
$/Fl. P	Fl.200	302	0.95	96	1.80	15	2.50	"
$/Fl. P	Fl.205	205	2.60	706	3.60	10	5.30	"
$/Fl. P	Fl.210	35	6.50	12	7.70A	—	—	"
		Dec 87		March 88		June 88		
$/Fl C	Fl.190	—	—	1	13.60	—	—	Fl.203.07
$/Fl C	Fl.195	60	8.50	—	—	12	10	"
$/Fl C	Fl.200	17	5.60B	68	6.90	55	7.80	"
$/Fl C	Fl.205	42	3.50	12	4.80	16	5.60	"
$/Fl C	Fl.210	12	2	2	3.20	2	4	"
$/Fl C	Fl.215	4	1	—	—	20	2.80	"
$/Fl P	Fl.190	55	0.80B	—	—	—	—	"
$/Fl P	Fl.195	—	—	7	3.60	10	5.50	"
$/Fl P	Fl.200	11	3.80	10	5.70	—	—	"
$/Fl P	Fl.205	26	6.40	20	8.40	—	—	"
		Oct. 87		Jan. 88		Apr. 88		
ABN C	Fl.48	752	2.40	46	5	—	—	Fl.49.30
ABN P	Fl.50	583	1.80	17	2.90	109	3.30	"
AEGON C	Fl.100	15	0.50	67	2.40	—	—	Fl.87.80
AHOLD P	Fl.100	54	2.80	3	4.50	—	—	Fl.101
AKZO C	Fl.180	1250	3.70	534	8.90	36	12.50	Fl.172.90
AKZO P	Fl.160	429	1.70	157	4.20	7	6	"
AMEV C	Fl.70	51	0.50	20	1.60	17	2.70	Fl.61.30
AMEV P	Fl.60	3	1.40	243	2.80	—	—	"
AMRO C	Fl.80	117	6.80	2	9.70	—	—	Fl.85.90
AMRO P	Fl.85	36	1.80	261	3.50B	5	4.80	"
ELSEVIER C	Fl.60	453	5.30	9	8.800	2	10.70	Fl.63.30
ELSEVIER P	Fl.54	104	0.60	—	—	—	—	"
GIST-BROC.C	Fl.50	117	1.30	663	3.20	95	4.50	Fl.48.50
GIST-BROC. P	Fl.50	122	2.50	15	4	—	—	"
HEINEKEN C	Fl.190	154	3	77	8.20B	—	—	Fl.179.50
HEINEKEN P	Fl.170	109	2.20A	9	4.80	—	—	"
HOOGOVENS C	Fl.45	116	4.50	9	6.40	—	—	Fl.48
HOOGOVENS P	Fl.45	179	0.80	90	2.50B	5	3.30	"
KLM C	Fl.55	434	1.50	220	3.50	6	5.30	Fl.52.50
KLM P	Fl.55	215	3.50	13	5	4	5.80	"
NEDLLOYD C	Fl.190	226	1.90	40	14	—	—	Fl.182.50
NEDLLOYD P	Fl.170	50	2.90	10	8.50A	—	—	"
NAT.NED. C	Fl.75	382	2.70	70	5.70	3	7.40	Fl.75.20
NAT NED P	Fl.70	105	0.60B	—	—	—	—	"
PHILIPS C	Fl.55	477	1	224	2.40	30	3.50	Fl.51.70
PHILIPS P	Fl.55	237	4.10	96	5.20A	17	6.30	"
ROYAL DUTCH C	Fl.270	1261	4.80	391	120	22	18	Fl.264.50
ROYAL DUTCH P	Fl.250	950	2.90A	233	6	15	8	"
ROBECO P	Fl.110	10	2.50	13	3.50B	—	—	Fl.109.30
UNILEVER C	Fl.144	647	3.20	893	7.50A	—	—	Fl.138.50
UNILEVER P	Fl.136	462	3.90	91	6.70	—	—	"

TOTAL VOLUME IN CONTRACTS: 47,090

A=Ask B=Bid C=Call P=Put

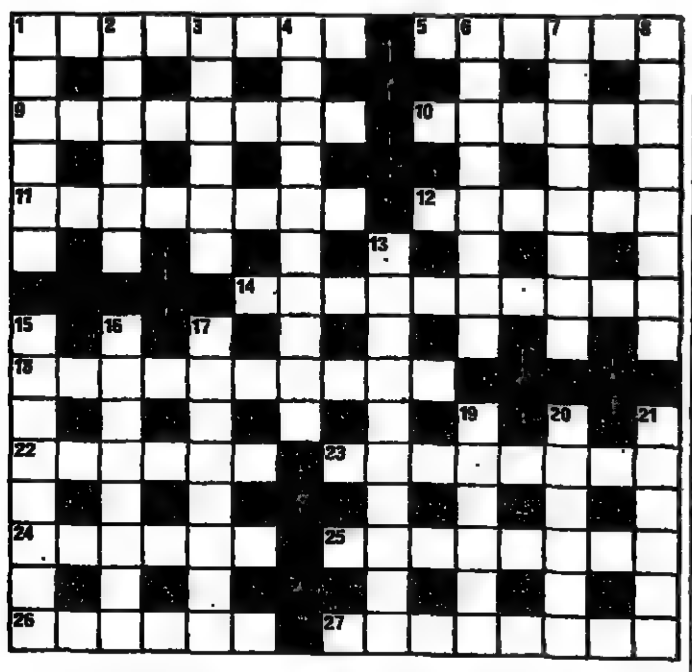
BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk	10	Consolidated Cred.	10	Provincial Trust Ltd	11
Amro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe G'rantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equat'l Tst C'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williams Secs	10
Banco de Bilbao	10	Financial & Gen. Sec.	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp	11	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	10	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank Corp	10
Banque Belge Ltd	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambros Bank	10	Yorkshire Bank	10
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co	10		
Brit Bk of Mid East	10	Hongkong & Shangh	10		
● Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
CL Bank Nederland	10	Midland Bank	10		
Canada Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Sureview 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 10.5%.

FT CROSSWORD PUZZLE NO. 6,427

GRIFFIN



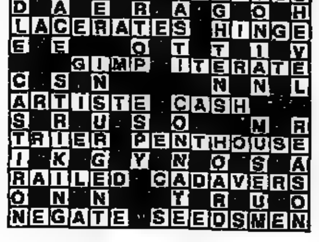
ACROSS

1 Very powerful light may disturb (8)
5 Protect student thrown outside (6)
9 Prison doctor tries case (8)
10 Criticises strikes (6)
11 Plea for lunch, perhaps, in the lobby (8)
12 Stable person lost roughly a sovereign (6)
14 Tactful pickpocket to claim being crooked (10)
18 Being unruly, deduce aunt is ignorant (10)
22 Ditch fish outside back door (6)
23 Domestic lantern I assembled (8)
24 *Service manual? (6)*
25 Row about weekend one finds remarkable (8)
26 Flush with coloured end, perhaps (6)
27 False claim for cash about 50 *per cent return* (8)

DOWN

1 One using what Fletcher makes? (6)
2 Silent around home time (6)
3 Enquire within to obtain *sealing device* (6)
4 Teach Rita about a number of actors (10)
6 Good-looking Liberal (8)
7 Develop plastic laces by tea-break (8)
8 Boy stands up girl—shame! (8)
13 Current producer to change a torn dress (10)
15 *Order unusual cruets for* outside buyer (8)
16 Empty dormobile stopped dead (8)
17 Buy tea in a brass container (8)
19 Stop rebuilding *side street* (6)
20 Asian in pub needs help standing (6)
21 Learner shivering after parking trouble (6)

Solution to Puzzle No. 6,426



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or −	Yield Gross
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St. EC4R 9AS — 01-280 2060

American Growth	110.6	117.0	+1.7	1.31
(Accum Units)	115.9	122.6	+1.5	1.31
American Income	51.2	54.1	+0.7	4.54
(Accum Units)	55.7	58.9	+0.6	4.54
American Sm Cos Fd	49.9	52.8	+0.0	0.46
(Accum Units)	49.9	52.8	-0.0	0.46
British Blue Chip Fund	52.1	55.1	+0.2	2.31
(Accum Units)	52.1	55.1	+0.2	2.31
European Growth	157.2	166.3xd	+0.2	1.47
(Accum Units)	164.2	173.7xd	+0.3	1.37
European Income	85.0	89.9	-0.2	3.34
(Accum Units)	89.4	94.5	-0.2	3.39
Exempt	348.8	368.0xd		2.36
(Accum Units)	542.5	582.0xd		2.36
General	380.2	402.3xd	+1.1	1.24
(Accum Units)	635.4	672.3xd	+1.7	1.24
Gilt	86.6	87.0	+0.1	7.80
(Accum Units)	103.0	103.5	+0.1	7.80
Global Fund	51.0	53.9	-0.2	4.65
(Accum Units)	51.0	53.9	-0.2	4.65
High Income Fund	53.7	56.8xd	+0.1	4.63
(Accum Units)	54.6	57.7xd	+0.2	4.63
High Interest Fund	43.0	45.5	-0.1	5.84
(Accum Units)	43.4	45.9	-0.1	5.84
Income	127.0	134.3xd	+0.2	2.61
(Accum Units)	146.5	155.0xd	+0.2	2.61
International	305.2	322.9	-0.6	1.29
(Accum Units)	381.9	404.1	-0.8	1.29
Japan	204.9	216.8	-1.5	0.55
(Accum Units)	210.4	222.6	-1.5	0.55
Pacific Fund	59.4	62.8	+0.8	0.10
(Accum Units)	59.4	62.8	+0.8	0.10
Recovery	322.7	341.4	+1.7	1.41
(Accum Units)	350.8	371.2	+1.9	1.41
UK Smaller Co's Fund	55.9	59.1xd	+0.8	0.46
(Accum Units)	56.4	59.6xd	+0.0	0.46

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB — 01-925 1277

Merlin Sept 8	627.5	635.5	...	1.08

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. — 0707 45184

UK Income Fund	61.9	65.8xd	-0.1	4.56
Accum Units	62.6	66.5xd	-0.1	4.51

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. — 01-588 3963

PM Equity Growth	120.2	127.9	+0.3	1.01
PM Income and Growth	104.3	111.0xd	+0.1	2.98
PM N American Growth	57.2	60.8	+0.7	0.34
PM European Growth	52.7	56.0	+0.2	0.59
PM Japan Growth	71.2	75.7	-0.6	0.36
PM Overseas Growth	56.4	60.0	+0.3	0.43

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL — 01-478 3377
Holborn Linkline 0800 010345

Holborn Comd Tst	83.4	88.2xd	+0.2	0.39
Holborn Equity Income	73.4	77.6xd	-0.3	3.72
Holborn Equity Tst	595.9	630.5	+1.7	2.14
Holborn European Tst	125.6	132.9	+0.9	0.62
Holborn Gilt Tst	205.9	214.8	-0.6	2.22
Holborn High Inc Tst	89.4	94.5xd		4.57
Holborn Intl Grth Tst	123.8	131.0	+0.3	0.67
Holborn Intl Sm Cos	—	50.0	...	0.05
Holborn Japanese Tst	136.1	144.0xd	-1.7	0.04
Holborn N. Amer Tst	94.3	99.7	+1.2	0.49
Holborn Sm Cos Tst	81.0	85.7	+0.1	1.36
Holborn Spec Sits Tst	105.8	111.9	+0.5	1.31
Holborn UK Growth Tst	117.6	124.4xd	+0.1	2.51

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 — 01-600 4177

Quadrant Gen. Fd.	695.7	775.1	—	1.57
Quadrant Income	335.0	354.5	—	3.76
Quadrant Intl. Fund	457.6	488.3	—	1.03
Quadrant Spec. Sits.	468.0	495.3	—	1.33

Reliance Unit Mgrs. Ltd
Reliance House, Tonbridge Wells, Kent — 0892 510033

British Life	246.6	260.1	-1.4	2.32
Reliance Unit Tst (Inc)	179.3	181.1	+0.1	1.45
Reliance Ut Tst (Acc)	229.2	243.8	+0.2	1.46

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. — 051-227 2030

Investment Growth Trust	50.5	53.3	+0.2	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 — 01-634 2981/4

Standard Life Trust Mgmt
3 George St, Edinburgh EH2 2XZ

Managed Acc.	31.3			
UK Equity Growth Acc.	36.8			
UK Equity High Inc Inc	36.8			
UK Equity General Acc.	38.8			
UK Equity General Inc	34.3			
UK Larger Company's Acc.	235.1			
UK Larger Company's Inc.	240.5			
Gilt and Fixed Int Inc	25.8			
Overseas Larg. Cos Acc.	205.0			
North American Acc.	29.4			
Far East Acc.	40.8			
European Acc.	29.7			

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh — 031-226 3271

American Fund	260.3		+1.6	1.00
(Accum. Units)	271.5		+1.8	—
(Withdrawal Units)	160.2		+1.1	
American Exempt Sept 1	£381.90			
Australian Fund	212.7			1.07
(Accum. Units)	237.5		+0.8	0.31
British Fund	928.4		+0.8	—
(Accum. Units)	1301.6		+2.8	3.58
European Fund	337.7		+3.9	—
(Accum. Units)	356.2		+0.5	0.35
Japan Fund	78.7		+0.9	—
(Accum. Units)	79.2		-0.1	0.23
Saints PPP Aug 26	243.1		-0.1	—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham — 0403 56293

Equity Tst	557.8			1.92
North America	66.1			1.67
Far East	115.2			0.00
Worldwide Bond	46.9			6.60
Worldwide Financial	46.8			1.95
Worldwide Technology	47.8			0.58
European	58.0			1.90
Equity Income	74.8			3.57

Sun Life of Canada Unit Mgrs Ltd
Basingview, Basingstoke, Hants — 0256 841414

UK Income Fund	36.1			1.40
UK Growth Fund	38.9		+0.1	1.54

INSURANCES

Abbey Life Assurance—Contd.

Equity Ser 4	154.7	162.8	-0.3	—
Fixed Int. Ser 4	187.2	197.2	-0.7	—
Indexed Ln Ser 4	112.5	118.3	-0.4	—
American Ser 4	285.0	300.0	+1.0	—
High Inc. Ser 4	414.5	436.4	+1.1	—
Japan Ser 4	265.8	279.8	-3.5	—
Man. Ser 4	417.1	439.1	-0.5	—
Money Ser. 4	207.6	218.6		—
European Ser 4	120.7	127.1	-0.3	—
Pension Funds				
Property	401.9	423.0		—
Equity	1140.6	1200.7	-2.0	—
Selective	313.7	330.2	-0.6	—
Managed	780.8	821.9	-0.7	—
Security	370.6	390.2		—
Fixed Int.	207.2	218.2	-0.7	—
European	191.3	201.4	-0.5	—
American	243.4	256.3	+1.0	—
Japan	281.9	296.8	-4.1	—

Aetna Life Insurance Co Ltd
401 St John St, London EC1V 4QE — 01-833 2903
Life Funds (Accumulator Units)

Squirrel	11.19	11.78	...	—
Bear	12.89	13.57	...	—
Owl	17.66	18.59	...	—
Bull	15.65	16.48	...	—
Stag	15.56	16.37	...	—
Gilt Edged		11.37	...	—
Deposit		10.47	...	—
North American	11.33	11.93	...	—
European	10.13	10.67	...	—
Property	13.22	13.92	...	—
Index Linked	9.58	10.09	...	—
Far Eastern	11.39	11.99	...	—
UK Equity	13.92	14.66	...	—
Fixed Interest	9.72	10.24	...	—
Cortisum	141.6	149.1	...	—
1982 Series				
UK Equity	292.8	308.3	...	—
North American	199.4	209.9	...	—
Far Eastern	348.7	367.1	...	—
Fixed Interest	170.1	179.1	...	—
Cash Deposit	131.4	138.4	...	—
Property	128.5	135.3	...	—
Special Opportunities	417.1	439.1	...	—
Managed	246.7	259.7	...	—
Index Linked Fund	107.0	113.0	...	—

Cannon Assurance Ltd (z)
1 Olympic Way, Wembley HA9 0NB — 01-902 8876
2nd Series Life Accumulation

Equity	474.2	499.5	-3.5	—
High Income	384.3	406.7	-3.7	—
Property	273.3	286.9	+0.0	—
Managed 2	114.2	120.9	+1.3	—
Managed	289.5	306.3	-1.3	—
Managed 4	120.4	127.4	+0.9	—
Deposit	183.1	193.8	+0.0	—
Gilt	184.4	195.1	-1.7	—
American	261.8	277.0	+4.7	—
International Money	194.0	205.3	+0.6	—
Index	108.1	114.4	-0.6	—
Far East	253.0	267.7	-1.7	—
Global	113.7	120.3	+0.4	—
European	111.2	117.7	+0.3	—
Japan	135.1	143.0	-0.8	—
Heritage Property	102.7	108.7	+0.0	—
Intl Currency Bond	89.8	95.0	+0.0	—
2nd Series Pension Accumulation				
Equity	717.6	759.4	-4.9	—
High Income	472.5	500.0	-5.2	—
Property	335.8	355.3	+0.0	—
Managed 2	116.3	123.1	-0.1	—
Managed	430.3	455.3	-2.1	—
Managed 4	125.3	132.6	-0.2	—
Deposit	278.7	294.9	+0.0	—
Gilt	265.1	280.5	-2.4	—
American	417.0	441.3	+8.8	—
International Money	280.5	296.8	+1.4	—
Index	119.8	126.8	-0.6	—
Far East	291.1	308.0	-2.1	—
Global	127.5	134.9	+0.6	—
European	115.2	121.9	+0.3	—
Japan	146.1	154.6	-1.1	—
Heritage Property	105.9	112.1	+0.0	—
Intl Currency Bond	90.1	95.3	+0.0	—
Broker Managed Funds				
Ruben Walter Imperial	173.0	183.1	-1.8	—
St. Michael's Fund	137.0	145.0	-0.5	—
Common Ibtl Inv Fd	97.8	99.5	+0.9	—
Other Funds				
Equity Units		94.52	-1.23	—
Property Units		24.60	+0.00	—
Balanced Bond/Exec.	40.88	43.26	-0.18	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ — 031-225 1655

Crusader Insurance Plc
Reigate, Surrey RH2 8BL — 0737 242424

Measured Performance	113.2	119.8	-1.0	—
Performance Plus	112.3	118.8	-0.9	—
With Profit Perform.	103.4	109.4	+0.1	—
UK Opportunity	140.9	149.1	-1.6	—
European Opportunity	115.7	122.4	-0.6	—
Nth American Opp.	100.4	106.2	-1.3	—
Far Eastern Opp.	117.9	124.8	-0.2	—
Overseas	96.9	102.5	+0.4	—
Guar Prp Ser 1 (Aug 6)	146.4	154.1		—
Guar Prp Ser 2	104.1	110.2	+1.1	—
Fixed Interest	100.4	106.2	-0.2	—
Cash	100.7	106.4	+0.1	—
Managed Pens (Aug 11)	384.14	387.55	...	—

Devonshire Life
29 Glasshouse St., W1R 5RG — 01-434 3511

Managed	147.2	155.1	-0.4	—
World Growth	117.5	123.8	+0.1	—
UK Equity	167.3	176.2	-0.7	—
UK Small Companies	177.4	186.8	-0.9	—
European	110.8	116.8	+0.6	—
Far Eastern	216.7	228.2	+0.4	—
Nth American	107.7	113.4	...	—
Fixed Interest	113.1	119.2	-1.1	—
Index Linked Stks	107.0	112.7	-0.7	—
Money	104.7	110.3		—
Pen Managed	180.5	190.1	+0.1	—
Pen World Growth	123.5	130.1	+1.6	—
Pen UK Equity	229.3	241.5	-0.8	—
Pen UK Small Cos.	201.3	212.0	-1.4	—
Pen European	110.0	115.9	...	—
Pen Far Eastern	308.4	324.8	+11.7	—
Pen Nth American	104.7	110.3	+0.8	—
Pen Fixed Interest	122.9	129.4	-1.2	—
Pen Index Lnkd Stks	107.6	113.4	-0.5	—
Pen Money	111.4	117.3	...	—

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ — 0242 221 311

Secure Fund	108.4	114.2	...	—
Blue Chip Fund	154.6	162.8	+0.1	—
Performance Fund	185.2	195.0	+0.4	—
Adventurous Fund	184.3	194.1	+0.6	—
Pensions Secure	101.4	106.8	...	—
Pensions Blue Chip	121.8	128.3	+0.2	—
Pensions Performance	122.4	128.9	+0.5	—
Pensions Adventurous	128.9	135.7	+0.7	—
Pensions With Profits	112.2	118.2	+0.3	—

Gresham Unit Assurance Ltd
2-6 Prince of Wales Rd, Bournemouth — 0202 767655

Gresham Series III				
Balanced Fund	111.8	117.8	+0.6	—
Equity	477.6	503.3	+2.5	—
European Growth	96.6	101.8		—
Fixed Int.	150.8	158.9	-0.9	—
Global Growth	111.0	117.0	+0.6	—
Income	133.1	140.3	+0.0	—
Intl Income	101.7	107.2	+0.3	—
Managed	510.2	537.6	+1.7	—
Money	197.9	208.4	+0.1	—
N. American Growth	107.6	113.4	+1.7	—
Property	237.2	249.9	+2.3	—
Gresham/Framlington Series III				
American & Gen	290.3	305.9	+3.8	—
Capital	565.7	596.1	+1.6	—
European	127.8	134.7	+0.8	—
Financial	104.9	110.5	+0.5	—
Income Trust	520.7	548.6	+0.8	—
Intl Growth	335.7	353.7	+2.2	—
Japan & Gen.	191.3	201.6	+0.0	—
Recovery	402.8	424.4	+2.4	—
Gresham Series II				
Balanced Fund	111.8	117.8	+0.7	—
Equity	472.9	498.3	+2.0	—
European Growth	96.5	101.7	+0.0	—
Fixed Interest	149.3	157.3	-1.0	—
Global Growth	109.9	115.8	+0.6	—
Income	132.1	139.2	+0.0	—
International Inc	101.6	107.1	+0.4	—
Managed	504.6	531.7	+1.6	—
Money	197.9	208.4	+0.1	—
Nth American Grwth	107.7	113.5	+1.7	—
Property	235.7	248.4	+2.0	—
Gresham/Framlington Series II				
American & General	290.3	305.9	+3.9	—
Capital	559.5	589.5	+1.6	—
European	127.7	134.6	+0.8	—
Financial	104.6	110.2	+0.4	—
Income Trust	515.3	543.0	+0.9	—
International Grwth	335.7	353.7	+2.3	—
Japan & General	191.2	201.5	+0.0	—
Recovery	398.7	420.1	+2.3	—
Gresham Pensions				
Equity	353.6	372.6	-4.6	—
Fixed Interest	291.8	307.5	+2.3	—
High Yield	344.9	363.4	+2.2	—

Irish Life Assurance—Cont.

Global Managed	359.2	378.1	...	—
Global Property	154.9	163.0	...	—
Global Fixed Interest	290.5	306.1	...	—
Global Equity	428.4	450.9	...	—
Global Cash	126.4	133.1	...	—
Universal Security Fnd	103.3	108.7	...	—
Universal Balanced Fnd	116.8	122.9	-1.3	—
Universal Opprty Fd	120.9	127.3	-1.6	—
Exempt Managed	573.3	603.5	...	—
Prty. Pen. Ser. 2	169.3	178.2	...	—
Equity Pen. Series 2	639.7	673.4	...	—
Gilt Edged Pen. Ser. 2	348.9	367.3	...	—
Managed Pen. Ser. 2	509.9	536.7	...	—
Cash Pension Series 2	171.4	180.4	...	—
Intl Equity Pen Ser 3	634.7	668.1	...	—
UK Equity Pen Ser 3	629.6	662.7	...	—
Fixed Int Pen Ser 3	348.9	367.3	...	—
Property Pen Ser 3	169.3	178.2	...	—
Deposit Pen Ser 3	171.4	180.4	...	—
Security Pen Ser 3	97.7	102.8	...	—
Bal Man Pen Ser 3	507.9	534.6	...	—
Opp Man Pen Ser 3	104.4	109.9	...	—

For Johnson Fry see "Management Services."

The LAS Group
10 George St, Edinburgh — 031-225 8494
LAS Investment Assurance

Managed Fund	263.1	279.4	+0.7	—
UK Equity	426.4	452.3	+0.5	—
Property	201.1	213.4	...	—
Money Market	154.0	162.5	...	—
Fixed Int.	170.9	181.3	+0.1	—
Guaranteed	95.0	100.0		—
Japan	340.4	361.1	-2.8	—
North America	154.4	163.8	+1.6	—
International	245.3	260.3	+1.3	—
Natural Res.	115.9	123.0	-0.9	—
European	183.5	193.7	-0.3	—
Far East	144.6	152.6	-2.7	—
High Technology	136.2	143.7	+0.2	—
Special Situations	131.1	138.4	+0.2	—
Pension Funds				
Managed	177.8	188.3	+0.3	—
International	185.3	196.1	+1.2	—
Property	129.8	137.5	+0.1	—
Money Market	130.2	138.3	+0.1	—
Fixed Interest	136.2	144.4	+0.2	—
UK Equity	279.1	295.4	+0.5	—
North America	134.7	142.7	+1.6	—
Japan	192.1	203.4	-1.8	—
European	184.3	195.1	-0.3	—

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	1987 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
101⅞	100½	Treas. 12pc 1987	100⅛	.....	11.98	10.13
99⅝	97⅞	Treas 7¾pc 1985-88‡‡	99⅝	.....	7.80	9.21
102¼	99⅞	Exch 10½pc '88	100⅛	+⅛	10.50	10.36
101⅝	98⅞	Treas 9¾pc Cv '88	99⅝	.....	9.80	10.37
97⅞	93⅞	Transport 3pc '78-88	96⅞	+⅛	3.10	7.21
101¾	98⅛	Treas. 9½pc '88	98⅞	+⅛	9.60	10.41
105⅞	101⅛	Treas 11½pc 1989	101⅞	+⅛	11.35	10.44
102⅞	97⅞	Treas 9½pc Cnv 1989	98⅛	+⅛	9.65	10.51
94⅞	89⅛	Treas 3pc 1989	93⅛	+⅛	3.22	7.34
104⅛	99⅞	Treas 10½pc 1989	100⅛	+⅛	10.50	10.44
103⅞	98⅛	Exch 10pc 1989	99⅛	+⅛	10.08	10.45
105⅛	100⅞	Exch 11pc 1989	101⅛	+⅛	10.89	10.42
95⅞	89⅞	Treas 5pc 1986-89	93⅛	+⅛	5.37	8.64
108⅛	99⅞	Exch 10½pcCv '89	100⅛	+⅛	10.36	10.25
111⅞	105	Treas 13pc 1990‡‡	105⅞	+⅛	12.35	10.35
106½	100⅞	Exch 11pc 1990‡‡	101⅞	+⅛	10.87	10.41
110⅞	104⅛	Exch. 12½pc 1990	104⅞	+⅛	11.97	10.47
91⅞	84½	Treas. 3pc 1990	88⅞	.....	3.39	7.85
100⅞	93⅞	Treas 8¼pc 1987-90‡‡	95⅞	+⅛	8.64	10.14
105	97½	Treas. 10pcCv 1990	98⅞	+⅛	10.14	10.50
89⅞	81⅞	Exch 2½pc 1990	86⅛	+⅛	2.91	7.52
110½	102⅞	Treas 11¾pc 1991	103½	+⅛	11.35	10.43
95⅞	87¼	Funding 5¾pc '87-91‡‡	89¼	+⅛	6.43	9.30
89⅞	80¼	Treas. 3pc 1991	84⅞	+⅛	3.55	7.90
110⅞	99	Treas 10pc Cv '91 ‡‡	99⅞	+⅛	10.03	10.08
109⅞	101⅛	Exch. 11pc 1991	101⅞	+⅛	10.80	10.42
96⅞	91⅞	Treas. 8pc 1991‡	92⅛	+⅛		10.42
116⅞	107⅛	Treas 12¾pc 1992‡‡	107⅞	+⅛	11.82	10.42
106⅞	97⅞	Treas 10pc 1992	98⅞	+⅛	10.13	10.35
99⅞	90⅞	Treas. 8pc 1992 ‡‡	91⅞	+⅛	8.78	10.45
108⅞	99⅛	Treas 10½pc Cv 1992‡‡	100⅞	+⅛	10.47	10.40
85⅞	79⅛	Treas. 3pc 1992	79⅞	−⅛	3.74	8.03
115⅞	106⅞	Exch. 12¼pc '92	106⅞	+⅛	11.48	10.46

Five to Fifteen Years

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

Over Fifteen Years

Undated

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30	22⅞	Sara Lee $1	25⅞	+⅛	$1.00	—	2.4
11	8⅞	Saul (B. F.) $1	11	+	20c	—	1.1
26⅛	19⅞	Southwestern Bell $1	23⅞	+1⅛	$2.32	—	6.0
19	14¼	Staley Continental	18⅛	+1⅛	80c	—	2.7
44	35⅛	Sun Co. Inc. $1	35	+	$3.00	—	5.2
42¼	28½	TRW Inc. $0.625	36	+	$1.60	—	—
34⅞	25⅞	Tenneco $5	32	+	$3.04	—	5.8
202½	149½	Do. 10pcLn.Stk. 91-5	202½	...	10%	—	5.0
29⅝	17	Texaco $6.25	24¼	+⅛	$3.00	—	7.6
74	47⅛	Time Inc. $1	63	+1	$1.00	—	1.0
15¾	11	Tracor $0.33	13⅞	–⅛	40c	—	1.8
30¼	18⅞	Transamerica $1	25⅝	....	$1.76	—	4.2
14⅜	922p	Transworld Corp $5	12⅛	+⅛	20c	—	1.0
49½	29¼	TRINOVA Corp.	45	–3⅛	$1.00		1.4
24	15	USX $1	21¼	+⅜	$1.20	—	3.5
19⅝	15	Union Carbide $1	15⅝	–⅞	$1.50	—	5.9
37⅞	26⅞	Utd. Technologies	33½	+	$1.40	—	2.6
38⅝	27	US Westll	33¼	+⅝	$3.28	—	6.0
30½	17⅛	Waste Management $1	26⅞	+¼	—	—	—
£31⅛	£20½	Whirlpool $1.0	£22⅛	+¼	—	—	—
37⅞	26	Woolworth $3½	30¼	....	$1.32	—	2.6

CANADIANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
691p	373p	ABM Gold Corp	379p	–3	—	—	—
21½	10p	Abbot Energy Corp.	20	....	—	—	—
15⅜	50½p	Amer. Barrick Res.	14½	....	—	—	—
122p	52p	Armeno	73p	.....	—	—	—
19⅝	14⅝	Bk. Montreal	14¼	.....	$2.00	—	6.2
10½	745p	Bk. Nova Scot.	775p	–13	72c	—	4.3
20⅝	18	BCE	18¼	–⅛	$2.40	—	6.1
10⅝	712p	Bow Valley	838p	+4	40c	—	—
20	12⅝	Brascan	17⅞	+⅛	88c	—	2.3

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

NOTES

[illegible] B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	96	.....
Craig & Rose £1	700	−13
Finlay Pkg. 5p	132	+1
Holt (Jos) 25p	1010	+5
Ioll Stm. £1	175	.....
IRISH		
Fund 11¾% 1988	£100¼	.....
Nat. 9¾% 84/89	£97½	.....
Fin. 13% 97/02	[illegible]	.....
Arnotts	400	.....
CPI Hldgs	89	.....
Carroll Inds.	189	.....
Dublin Gas	406	.....
Hall (R. & H.)	137	.....
Helton Hldgs.	55xd	−1
Irish Ropes	285	−5
Unidare	400xd	−5

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	19
BAT	62
BOC Grp.	50
BSR	17
BTR	36
Babcock	32
Barclays	52
Beecham	52
Blue Circle	50
Boots	30
Bowaters	50
Brit Aerospace	50
Brit. Telecom	28
Burton Ord	32
Cadburys	25
Charter Cons.	45
Comm Union	34
Courtaulds	45
FNFC	32
Gen Accident	95
GEC	22
Glaxo	200
Grand Met	50
GUS 'A'	125
Guardian	95
GKN	38
Hanson Tst.	17
Hawker Sidd	58
ICI	125
Jaguar	52
Ladbroke	45
Legal & Gen	32
Lex Service	45
Lloyds Bank	55
Lucas Inds	75
Marks & Spencer	22
Midland Bk	45
Morgan Grenfell	55
NEI	13
Nat West Bk	65
P & O Dfd	65
Plessey	20
Polly Peck	34
Racal Elect	32
RHM	35
Rank Org Ord	70
Reed Intnl	50
STC	30
Sears	16
TI	37
TSB	12
Tesco	18
Thorn EMI	65
Trust Houses	25
Turner Newall	26
Unilever	62
Vickers	28
Wellcome	42
Property	
Brit Land	30
Land Securities	58
MEPC	48
Peachey	40
Oils	
Brit Petroleum	32
Britoil	30
Burmah Oil	52
Charterhall	10
Premier	11
Shell	125
Tricentrol	11
Ultramar	26
Mines	
Cons Gold	125
Lonrho	28
Rio T Zinc	180

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Aug 24	Sept 10	Sept 11	Sept 21
Sept 14	Sept 24	Sept 25	Oct 5
Sept 28	Oct 8	Oct 9	Oct 19

* New time dealings may take place from 9.00 am two business days earlier.

Institutions hold off again and markets unable to extend early technical recovery

The UK investment institutions again showed little enthusiasm to operate yesterday and security markets were unable to consolidate early gains. A steadier US bond market and further success in stabilising the dollar seemed good enough reasons for a rebound from Wednesday's lower levels, and markets opened more brightly.

A fresh flow of encouraging corporate profits statements aided these more favourable views on the trend but investors would not be drawn. Marketmakers were soon reporting a lack of volume and suggesting tongue-in-cheek that fund managers may have gone to ground to allow time to reduce the backlog of bargains outstanding for settlement.

On a more serious note, the majority of investors were probably holding back because of international worries. The US trade deficit for July is due to be announced today and, while chief economist Allen Sinai at Shearson Lehman is forecasting $16.7bn, estimates in London range up to $20bn.

Wall Street appeared unconcerned yesterday about the impending news — the Dow Jones index was up 28 points midway through the session — but leading stocks in London struggled to hold their gains and the FT-SE 100 share index closed only 4.1 higher at 2253.2.

Business was largely confined to situation issues and Cable & Wireless recorded another large turnover of 13m shares. Once again Far Eastern buyers outnumbered domestic sellers and the price rose 7 further to 459p. Other Electrical leaders traded briskly, notably Plessey and STC.

The Gilt-edged sector also staged a technical bounce after the US bond market's better performance overnight. Medium-life stocks were said to be the best value, yielding nearly 10½ per cent at the moment, and traders were fairly active in the area. Domestic retail interestwas extremely small with institutional operators content to await further developments in world bond markets.

The situation in Japan was causing some concern. Stories of excessive Zaitech activities leading to further heavy losses in bond futures continued to come out of Tokyo.

A lacklustre day in mining markets was enlivened by renewed firmness in Consolidated Gold Fields. Since the T. Boone Pickens-led group tender offer of $95 a share for 28m shares in Newmount Mining, ConsGold has moved up sharply reflecting its 26.3 per cent in the US mining group. ConsGold has stressed that it wished to see Newmount remain independent but speculation has developed of the UK group mounting a counter offer or Newmount launching a bid for ConsGold; the latter is scheduled to announce preliminary figures on Tuesday.

Wellcome moved up smartly amid rumours that Hoffmann La Roche had abandoned development of its anti AIDS drug DDC because of side effects. DDC is thought by some to be the most important potential competitor to Wellcome's anti-AIDS drug Retrovir. The Wellcome share price closed 25 higher 462p.

The major clearing banks made early progress reflecting the reappearance of buyers, but a subsequent lack of follow-through support saw prices drift back in late dealings to close virtually unchanged on balance. Barclays, having touched 579p helped by BZW recommendation, eased back to close only 7 higher on balance at 575p. NatWest, following its decision to sell its unit trust arm, County Unit Trust Managers, which has some £400m in funds under management, closed 3 cheaper at 712p. Among Merchant Banks, Hill Samuel, a weak market in recent days reflecting recent strife within the company, rallied to 645p at one point before easing back again to close unchanged at 634p. Guinness Peat were an active market following the document rejecting Equiticorp's 110 per share offer: GP made made a profit forecast of £30m for the year ending September; the Guinness Peat share price closed unaltered at 112p, after 113p. Schroder N/V rose ⅞ to £13⅞ following the interim dividend announcement.

Composite Insurances had little to offer in the way of price movements; but Commercial Union, in which 1.7m shares were traded, moved up 4 to 368p. Sun Alliance edged up ⅛ to £10⅞. Elsewhre, London United settled a shade off at 763p, the good interim profits and proposed three-for-two scrip issue apparently disregarded. Among Lloyds brokers, Stewart Wrightson rose 14 to 553p; Willis Faber now speaks for 86 per cent of the ordinary shares. WF were 14 up at 372p.

Buckleys, the Llanelli-based brewer currently in receipt of an unwelcome offer from Brodian, the nominee company controlled by Peter Clowes and Guy Cramer, held at 183p following publication of the revised offer document; market rumours suggested that Messrs Clowes and Cramer now speak for over 40 per cent of the Buckleys equity.

Redland's announcement that it intended to set up a joint plasterboard venture with Australia's CSR sparked selling of BPB Industries on possible competition fears and the close was 39 down at 354p; Redland, on thoughts that the plasterboard venture is unlikely to produce benefits before 1989-90, finished 19 off at 500p. Elsewhere in the Building sector, Taylor Woodrow attracted keen buying and rose 12 to 440p, but George Wimpey, despite reports of sizeable support in the wake of the interim results, eventually succumbed to profit-taking and closed 3 cheaper at 257½p. John Laing revealed half-year profits slightly below market estimates and the price dipped 19 to 360p.

Leading Retailers lacked a decisive trend. Storehouse responded to sporadic new-time demand and finished a shade firmer at 367p, while talk of a broker's bullish circular in front of next Wednesday's half-timer lifted Coats Viyella 8 to 373p. In contrast, easier values prevailed in Burton, 8 off at 294p, Woolworth, 6 down at 354p, and Next, 4 cheaper at 345p.

Revived buying of Cable and Wireless signalled the trend throughout leading Electricals. Plessey traded actively and rose 5 to 189p as market-makers stressed that the recent decline in the share price was "overdone." BICC were also lively and hardened 5 to 420p as analysts turned bullish on the shares in the light of Wednesday's excellent mid-term results; BZW, for example, advised clients to buy BICC "for growth and re-rating." STC were another leading counter to attract substantial demand, closing 5½ to the good at 294p. A welter of trading statements stimulated some interest among second-line stocks. Continental Microwave featured, rising 37 to 285p in response to the increased full-year figures, but the lapse into sizeable losses left Acorn Computer 11 lower at 53p. MBS dipped 7 to 154p, the return to profits at the interim stage being largely discounted, but in contrast, perennial takeover chestnut Sound Diffusion hardened 3 to 64p with the aid of "call" option activity.

Rolls-Royce, down 3 at 108p, were actively traded (some 13m shares changed hands) in the wake of interim figures much in line with expectations. Carclo gained 12 to 210p following the decision to abandon its offer for Deritend in view of the higher counter bid from Christy Hunt, the latter eased a penny to 103p. Revived speculative demand left Davies and Metcalfe 13 to the good at 151p. Birmingham Mint edged up a couple of pence to 253p following the confident tenor of the chairman's statement at the annual meeting. News of the acquisition of Northwood Metal Services (Birmingham) and Northwood Fabrications enlivened demand for Hobson which advaced to 102p before closing 5 higher on the day at 99p.

—Rowntree revealed interim profits at the top of estimates, but this apparently failed to impress the market and the price drifted steadily lower to close 11 lower on balance at 550p. Cadburys Schweppes, on the other hand, attracted persistent support and firmed 3 to 272p, while Tate and Lyle rose 10 to 839p. Ranks Hovis McDougall met with revived speculative buying and put on 4 to 325p, but Northern Foods, still overshadowed by rumours of uninspiring dairy sales, shed 2 more to 286p. Among Retailers, J. Sainsbury made fresh progress to close 3 higher at 272p, but Dee Corporation shed that much, to 217p. Elsewhere, Chambers and Fargus rose 24 to 157p reflecting demand ahead of the annual results due next Tuesday. Bernard Matthews, also reporting shortly, revived with a gain of 6 at 150p.

Further consideration of the interim figures prompted a better trend in BTR which moved ahead to close 9 higher at 353 in a volume of 5.6m shares. Glaxo edged up ⅛ to £16¾ helped by the early firmer trend on Wall Street.

Good annual results left DPCE 10 higher at 295p, but Cookson, down 8 at 804p, and Associated British Ports, lower at 592p, met with occasional profit taking after trading statements. US favourite Reuters advanced 13 to 874p(while demand revived for Williams Holdings which put on 8 to 979p. Interlink Express, still responding to the bumper preliminary figures, advanced 15 more to 565p. J. W. Spear improved 5 more to 270p for t two-day gain of 30 in the wake of news that Allied Entertainments had increased its stake in the company to 13.45 per cent. Hyman, however, dipped 4½ to 48½ after the interim figures and the proposed £3.8m rights issue. Suter, scheduled to reveal its half-year statement next Monday, encountered buyers and put on 8 to 289p. Furniture shares recorded some useful gains, R. W. Toothill rising 35 to 340p and Stag 10 to 165p, the latter awaiting the interim results due on September 22.

Television issues forged ahead reflecting an impressive set of interim figures from Tyne Tees: TT moved sharply higher following details of the figures to close 38 up at 621p, while stocks to advance in sympathy included LWT, 57E to the good at 990p, HTV 20 higher at 358p and Thames, which rose 36 to 489p. Elsewhere in the Leisure sector, Spectrum attracted speculative buying on talk of an imminent anouncement and rose 16 to 72p, while Leisure Investments put on 14 to 171p on news that Braithwaite had increased its holding to 14.21 per cent.

Jaguar rallied 7 to 546p helped by currency considerations and news of an impending rise averaging 7 per cent throughout its product range.

Home Counties Holdings, reflecting the good interim figures, moved ahead to close 15 higher at 350p. US favourite Saatchi were noteworthy for a rise of 12 at 656p.

Profit-taking in the absence of any bid developments left Hammerson A 23 lower at 670p, while Land Securities drifted off to close 11 cheaper at 566p. MEPC, however, were steady at 546p, while Greycoat firmed 5 to 425p pending news from the annual meeting. Allied London softened a penny to 110p following details of the annual results and proposed £38.8m rights issue in convertible preference shares, while Peachey reacted on profit talking to close 6 off at 430p. Estates Property Investment were a weak market pending further bid developments and shed 22 to 233p; bidders London Securities shaded 3 to 76p.

Companies reporting trading statements claimed most of the attention in Textiles sector. British Mohair, reflecting the good half-year results, advanced 8 to 234p, while John Haggas responded to the preliminary figures with a gain of 8 at 214p. Lower annual earnings, however, clipped 2 from Sirdar at 145p.

Rothmans International, boosted afresh by continuing Brierly stake-building rumours, advanced 23 further to 424p.

Financials returned to favour under the lead of MAI which advanced 18 to 656p following a bullish circular from securities huse Wood Mackenzie; MAI's full-year figures are expected towards the end of the month and WM, in regarding the group as a "well-managed and diversified operation" anticipate pre-tax profits of £51.7m for the year to end-June. M & G hardened a few pence to 372p amid talk that some 3m shares had been placed through the market at 363p apiece. Britannia Arrow eased a fraction to 193½p following the purchase of County Unit Trust Managers frm County Natwest for £41.5m: CUTM managers 14 units and has over £400m of funds under management. Framlington hardened ⅛ to £12⅞ in response to the annual results and proposed sub-division of shares, while occasional interest was also noted for Autofagasta which put on 7 to 317p as Press comment induced interest ahead of the preliminary figures which are scheduled for next Thursday.

Burmah Oil touched 600p in immediate response to the interim results, but subsequently fell back to close 29 lower on balance at 567p; the company has again given shareholders the opportunity of a scrip alternative to the interm dividend. Tricentrol edged up a penny to 118p following increased half-year profits, while Ultramar, helped by its Dutch subsidiary's gas find, firmed 7 to 287p. Shell moved up ⅛ to £13½.

Polly Peck adged up 4 to 370p, but interest in other Overseas Traders tended to fade after the recent good run.

Traded Options

Option dealers expressed disappointment over volume which amounted to 34,150 contracts struck—wel short of the levels prevailing earlier this week. Nevertheless, a few classes stodd out, notably Rolls Royce which attracted a lively and evenly-balanced business in the wake of the interim figures with 1,962 calls done, 1,085 of which were transacted in the October 120's; Rolls Royce also recorded 2,812 puts, with the October 100 series proving popular in attracting 1,125 trades. Simiar conditions were noted in British Telecom with 1,401 calls and 1,482 puts struck. Cable and Wireless were also in demand, largely reflecting continued foreign demand for the underlying shares, and attracted 1,877 calls. As on Wednesday, British Gas puts met substantial demand with 4,790 contracts done, the October and January 165 series contributing 2,131 and 1,900 trades respectively.

Traditional Options

- First dealings Sept 1
- Last dealings Sept 18
- Last declaration Dec 3
- For Settlement Dec 14

For rate indications see end of London Share Service

Stocks dealt in for the call included Petrocon, North Kalgurli, Paul Michael Leisure, T and N, Singer and Friedlander, Sound Diffusion, Eagle Trust, Barratt Developments, Feedex, Charterhall, Control Securities, Bejam, Polly Peck, Moorgate Investment Trust and Wellcome. Puts were arranged in Astra Holdings and Powerscreen International, but no double options were reported.

FINANCIAL TIMES STOCK INDICES

	Sep. 10	Sep. 9	Sep. 8	Sep. 7	Sep. 4	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	83.33	85.19	85.86	85.82	85.72	87.62	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	90.81	91.52	91.60	92.35	92.18	94.17	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1761.3	1756.1	1775.2	1788.5	1782.1	1317.9	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	448.9	448.6	454.2	458.5	451.2	297.3	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.33	3.33	3.33	3.26	3.27	4.21				
Earnings Yld.%(full)	8.15	8.15	8.22	8.05	8.07	9.66				
P/E Ratio (net) (*)	15.02	15.02	14.94	15.25	15.21	12.71				
SEAQ Bargains (5 pm)	34,282	31,312	33,427	31,533	34,432	—				
Equity Turnover (£m)	—	1037.36	1071.73	804.67	1,057.39	623.30				
Equity Bargains	—	35,145	35,333	35,792	35,730	22,260				
Shares Traded (ml)	—	444.3	—	352.3	506.5	265.0				

S.E. ACTIVITY

Indices	Sep. 9	Sep. 8
Gilt Edged Bargains	111.1	109.6
Equity Bargains	227.7	228.9
Equity Value	2096.8	2166.2
5-Day Average		
Gilt Edged Bargains	105.7	108.1
Equity Bargains	224.8	224.6
Equity Value	1982.5	2096.9

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1759.6	1763.0	1764.1	1763.8	1765.1	1763.7	1763.3	1760.6

Day's High 1766.0 Day's Low 1759.6. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=14.78.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (54)

BANKS (1), CHEMICALS (1), STORES (2), ELECTRICALS (7), ENGINEERING (3), FOODS (1), INDUSTRIALS (12), INSURANCE (1), LEISURE (6), MOTORS (1), NEWSPAPERS (1), PAPERS (3), TEXTILES (1), TOBACCOS (1), TRUSTS (6), MINES (7).

NEW LOWS (6)

AMERICANS (2), BASIX, Chemical New. York, BANKS (1), C'hgn. Hbk., PROPERTY (2), Land Securities 10pc 2025, Slough Est. 11¼pc 2019, MINES (1), Musto Expln.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	2,800	194	—	Ladbroke	1,100	449	+2
Allied Lyons	688	414	−1	Land Securities	997	566	−11
Amstrad	1,900	167	−2	Legal & Gen.	694	315	−3
Argyll Group	812	411	+1	Lloyds Bank	1,000	353	−5
Assoc. Brit. Foods	258	360	−1	Lonrho	1,200	305½	+1½
BAT	1,200	655	+3	Lucas	47	729	+1
BET	844	266	+1	MEPC	797	546	+2
BICC	1,900	420	+5	Marks & Spencer	3,200	226	+1
BOC	397	537	+1	Midland Bank	711	494	−4
BPB Inds	6,400	354	−39	Natwest Bank	1,500	712	−3
BPCC	803	358	−16	Next	1,000	345	−4
BTR	5,600	353	+9	Pearson	399	782	+5
Barclays	2,300	575	+7	P & O	1,000	681	−6
Bass	170	974	−3	Pilkington Bros.	701	295	−1
Beecham	1,700	536	+5	Plessey	6,700	189	+5
Blue Circle	443	453	+1	Prudential	872	997	−3
Boots	2,600	301	−3	Racal	3,300	296	+0½
Brit. Airways	742	196	−1	Rank Org.	431	675	−9
Brit. Aero	1,300	495	—	RHM	1,300	325	+4
Brit. & Comm.	270	485	−1	Reckitt & Col.	89	£11⅛	—
British Gas	5,800	169	+2	Redland	2,500	500	−19
Britoil	1,000	318	+3	Reed Intl.	406	529	—
BP	1,400	362	+2	Reuters	670	874	+13
Brit. Telecom	5,500	262	—	RMC	62	478	−9
Bunzl	1,300	230	−5	RTZ	234	£12⅛	−0⅛
Burton	1,800	294	−8	Rolls-Royce	12,650	108	−3
Cable & Wire	13,000	459	+7	Rowntree	2,800	550	−11
Cadbury Schwps	1,900	272	+3	Ryl Bank Scotland	458	394	−4
Coats Viyella	782	373	+8	Royal Insurance	586	553	—
Comm. Union	1,700	368	+4	STC	6,200	294	+5½
Cons. Gold	1,500	£14⅞	+0⅛	Saatchi & Saatchi	547	656	+14
Cookson	1,800	804	−8	Sainsbury	1,200	272	+3
Courtaulds	903	488	+3	Scott & Newcastle	129	246	−2
Dee Corpn	3,700	217	−6	Sears	2,800	164	−1½
Dixons Group	544	359	−4	Sedgwick	1,400	290	−3
English China Clays	313	480	+2	Shell Trans	1,400	£13½	+0⅛
Fisons	2,200	357	+5	Smith & Nephew	790	166½	+3
Gen. Accident	54	£10⅝	—	Standard Chart	419	801	+1
Gen. Elect	2,300	210	—	Storehouse	3,400	367	+3
Glaxo	701	£16¾	+0⅛	Sun Alliance	426	£10⅞	+0⅛
Globe Investment	285	177½	—	TSB	1,500	141½	−0½
Granada	665	331	−2	Tarmac	1,700	295	−3
Grand Met	2,200	534	−2	Tesco	452	183	—
GUS "A"	446	£12⅞	—	Thorn EMI	1,000	658	−6
Guardian R.E.	65	£10⅛	—	Trafalgar House	1,600	365	+1
GKN	528	382	−1½	T'house Forte	356	250	−2
Guinness	1,300	365	−2	Ultramar	799	287	+7
Hammerson	863	670	−23	Unigate	722	370	—
Hanson Trust	5,200	183½	+1	Unilever	596	622	+8
Hawker Sidd.	1,100	572	−1	United Biscuits	161	319	—
Hillsdown Hldgs.	126	316	−1	Wellcome	3,400	462	+25
ICI	675	£15⅛	—	Whitbread "A"	145	341	−4
Jaguar	1,500	546	+7	Woolworth	1,100	354	−6

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	93	12	7
Corporations, Dominion and Foreign Bonds	16	3	35
Industrials	453	446	682
Financial and Properties	142	137	330
Oils	36	27	51
Plantations	1	4	9
Mines	63	48	79
Others	113	48	73
Totals	917	725	1,266

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

Thursday September 10 1987

FIXED INTEREST

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

September 10. Total Contracts 34,150. Calls 18,870. Puts 15,280. FT-SE Index Calls 1,257. Puts 917

*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
‡110	F.P.	18/9	121	108	Adscene	108	......	L2.5	1.9	3.2	22.8
245	100	28/8	147	130	BAA	135	......	L6.6	2.4	3.2	17.5

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

AUSTRIA

Sep. 10	Price Sch%	+ or –
Creditanstalt	2110	–10
Goetser	3200	.....
Interunfall	12300	–10
Jungbunzlauer	8590	–50
Laenderbank	1930	.....
Perlmooser	725	+3
Steyr-Daimler	121	+1
Veitscher Mag	819	+4

BELGIUM/LUXEMBOURG

Sep. 10	Price Frs.	+ or –
B.B.L.	3250	.....
Banque Gen. Du. L.	14875	.....
Bank Int. A	14300	.....
Bekaert B	11200	.....
Ciment CBR	5860	+10
Cockerill	175	.....
Colruyt	11925	.....
Delhaize	4320	+20
EBES	4810	+20
Fabrique Nat	1430	–20
GB Inno BM	1284	+4
GBL (Bruz) L	4130	+30
Generale Bank	6250	–50
Gevaert	7750	–250
Hoboken	8250	.....
Intercom	3800	.....
Kredietbank	4400	.....
Pan Holdings	13300	.....
Petrofina	13025	+175
Raffinerie Tirle	1765	+20
Royale Belge	6050	–40
Soc Gen Belge	3720.00	+60
Sofina	14500	+75
Solvay	14200	–300
Stanwick Intl.	550	.....
Tractebel	7600	+100
UCB	10600	+75
Wagons Lits	5660	–40

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

Sep. 10	Price Dm.	+ or –
AEG	341.30	+12.3
Allianz Vers	2013.00	+43
BASF	330.70	.....
Bayer	348.50	+3.5
Bayer-Hypo	502.50	+0.5
Bayer-Verein	485.00	+1
BHF-Bank	479.00	+7
BMW	755.00	+3
Brown Boveri	360.00	+14
Commerzbank	299.00	+3
Cont'l Gummi	348.50	–1.5
Daimler-Benz	1101.00	+8.5
Degussa	527.00	.....
D'sche Babcock	234.00	+5
Deutsche Bank	685.00	+3
Dresdner Bank	356.00	+1
Feldmuehle Nobel	327.00	+4
Henkel	568	+3.5
Hochtief	695.00	–5
Hoechst	323.00	+2.5
Hoesch Werke	128.00	+2
Holzmann (P)	420.00	.....
Horten	235.00	–1
Hussel	660.00	.....
Karstadt	562.00	+11
Kaufhof	504.00	+3
KHD	187.00	+5
Kloeckner Werke	142.20	–0.3
Linde	760.00	+11
Lufthansa	177.50	+4.5
MAN	191.00	+0.5
Mannesmann	172.00	+2.7
Mercedes Hld.	958.00	+2
Metallgesell	352.50	+1.5
Muench Rueck	2,075	+15
Nixdorf	820.00	+5.5
Porsche	990.00	+27
Preussag	195.50	+0.5
Rhein West Elect.	250.00	+2
Rosenthal	266.00	+1.2
Schering	608.00	+6
Siemens	644.50	+3.5
Thyssen	134.00	+1.5
Varta	366.00	+5

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

CANADA

TORONTO

Closing prices September 10

[illegible]

MONTREAL

Closing prices September 10

[illegible]

Indices

NEW YORK

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 45

[illegible]

LONDON – Most Active Stocks
Thursday, September 10, 1987

	Stocks Traded	Closing Price	Change on Day
Cable & Wire	13.88m	459	+7
Rolls Royce	12.65m	188	–3
Plessey	6.71m	189	+5
BPB Inds	6.40m	354	–39
STC	6.28m	284	+5½
Brit Gas	5.88m	169	+2
BTR	5.68m	363	+8
Brit Telecom	5.58m	282	–
Hanson Trust	5.28m	183½	+1
Wellcome	3.48m	462	+25

TOKYO – Most Active Stocks
Thursday, September 10, 1987

	Stocks Traded	Closing Prices	Change on Day
Kobe Steel	53.12m	299	–5
Nippon Steel	41.53m	345	–2
Oki Elec	24.75m	845	+8
Kawasaki Steel	20.96m	289	+2
Mitsubishi Heavy Ind	19.58m	612	+12
Nippon Kokan	10.98m	318	–1
Fujitsu	10.92m	1,330	+48
Sumitomo Metal Ind	18.87m	252	+4
Kaito	9.88m	998	+62
Hitachi	6.61m	1,830	+39

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES:

Treas. 7¾pc 2012-15	£81⅛	+5/16
British Mohair	234	+8
Cable & Wireless	459	+7
Cont. Microwave	285	+37
Interlink Express	565	+15
Jaguar	546	+7
LWT	990	+57
MAI	656	+18
Plessey	189	+5
Rothmans B	424	+23
Spectrum	72	+16
Stewart Wrightson	553	+14
Taylor Woodrow	440	+12
Thames TV	489	+36
Tyne Tees TV	621	+38
Wellcome	462	+25
Willis Faber	372	+14

FALLS:

Acorn Computer	53	–11
BPB Inds.	354	–39
Burmah Oil	567	–29
Hammerson A	670	–23
Laing (John)	360	–19
Redland	500	–19
Rowntree	550	–11

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
37 7/8	20 5/8	AAR	s	.50	1.5	23	93	34 3/8	33 5/8	34 1/8	+ 5/8
52	22	ADT		.92	1.8	29	1400	51 1/2	51 3/8	51 3/8	
31 1/4	16 3/4	AFG	s	.16	.6	10	379	28 7/8	27 1/2	27 5/8	
22 3/8	8 3/8	AGS	s			19	269	20 3/8	19 5/8	20 1/4	+ 3/4
10 7/8	6 3/4	AMCA					240	9 5/8	9 1/2	9 1/2	
9 3/8	4 7/8	AM	Intl				669	7 3/4	7 1/4	7 3/4	+ 1/2
65 1/2	50 1/4	AMR				12	4220	58 5/8	57 1/4	57 5/8	− 1/4
27 1/2	24 7/8	ANR	pf 2.67		10.		1	25 5/8	25 5/8	25 5/8	+ 1/8
12 7/4	8 1/4	ARX	s			11	155	11 3/8	11 1/4	11 3/8	+ 1/4
73 1/2	34 3/8	ASA		2a	3.1		1529	66 1/2	64 7/8	64 7/8	− 3/8
20	9 3/4	AVX		.32	1.7	39	1522	19 5/8	18 1/2	19 3/8	+ 11.
67	41	AbtLab		1	1 6	24	5085	61 1/4	59 3/4	60 3/4	+ 5/8
28	24 1/4	Abitibi g					55	25 3/8	24 3/4	24 3/4	− 5/8
16 3/4	9 3/4	AcmeC		.40	3 3	13	652	12 7/8	12	12 1/8	− 1/2
10 1/2	6 1/8	AcmeE		.32b	3 4	59	44	9 1/2	9 3/8	9 1/2	+ 1/4
23 7/8	19	AdaEx		3 42e	16.		109	21 3/4	21 1/8	21 3/4	+ 5/8
19 1/2	11 3/8	AdmM	s	.24	2.0	9	44	11 3/4	11 3/4	11 3/4	+ 1/8
38 3/4	12 1/8	AdvSys		.62t	2.3	18	304	27 5/8	27 1/8	27 1/4	− 1/2
24 1/2	12 7/8	AMD					7494	21 1/4	20 5/8	21 1/8	+ 1
56 3/8	47	AMD	pf	3	5.7		853	52 3/4	52 1/4	52 3/4	+ 3/4
11 7/8	5 1/4	Adobe					688	9 1/2	9	9 3/8	+ 1/8
20 1/2	14 3/4	Adob	pf 1 84		9.6		6	19 1/4	19	19 1/4	+ 1/4
21 7/8	17	Adob	pf 2.40		11.		2	21 1/4	21 1/4	21 1/4	+ 1/8
15	10 3/8	Advest		.12a	1.0	9	124	12	11 1/2	11 5/8	− 1/8

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
20¼	8⅝	SciAtl	.12	.7	17	366	17¾	17⅛	17⅛	
84¼	59¾	ScottP	1.36	1.7	15	756	81¼	79½	81	+1⅜
15⅞	12	Scottys	.52	3.8	19	125	13⅞	13⅝	13⅝	−¼
13	10½	ScdNA n				56	11⅞	11⅝	11⅝	−¼
30½	12¾	SeaCnt	.05e	.2	34	298	26⅞	26	26¾	+1
14¼	7¾	SeaCt	pf1.46	11.		19	13½	13⅛	13½	+⅛
17½	10½	SeaC	pfB2.10	13.		22	16½	16⅜	16⅜	−⅛
17½	9¾	SeaC	pfC2.10	13.		53	16½	16⅜	16⅜	−⅛
58	34½	SeaC	pfD4.12	7.5		49	55¼	55¼	55¼	+¾
82⅞	37⅜	Seagrm	1.10	1.5	16	4493	74¾	73⅝	74	+⅝
24⅛	12½	Seagul			20	32	23	22⅞	22⅞	

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
27⅛	17¼	UDC	2.20	12.	6	147	18⅜	17⅞	18⅛	+¼
32	25½	UGI	2.04	7.4	10	89	28⅜	27½	27½	−¼
13⅜	8¼	UNCInc			19	2086	13¼	12⅝	12¾	−⅛
31⅜	20⅜	UNUM	n.30e	1.2		1523	25¼	25	25	−⅛
21⅞	14⅜	URS	.98t	5.0	18	49	19¼	19⅛	19¼	+⅛
48¾	36¼	USFG	2.48	6.0	9	10588	41⅝	40⅞	41⅛	+⅜
62	50½	USFG	pf4.10	7.6		81	54⅛	53½	54⅛	+¾
47⅜	31	USG	1.12	2.6	10	5140	43¼	42⅝	42⅝	−½
161	120	USG	pf 1.80	1.2		1	153	153	153	−8
28⅝	20½	USLICO	s.88	3.5	11	27	25¾	25½	25½	−¼
32⅞	11¾	USPCI	s		37	37	26¼	25⅞	26⅛	+⅜

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
58¼	53⅝	Xerox	pf5.45	10.		671	53¾	53½	53½	−¼
31½	21½	XTRA	.64	2.2	23	185	28⅝	28⅜	28⅜	
27⅞	26⅜	XTRA	pf1.94	7.2		43	27	26¾	27	+¾
31¾	15	Yorkin			14	140	30⅛	29⅞	30	+⅜
7¼	2¼	Zapata				433	5⅝	5⅛	5½	+⅜
32⅞	20¾	Zayre	.40	1.5	10	2350	27½	27	27⅜	+¼
14¾	9¾	Zemex	.40	3.2	8	7	12½	12⅜	12½	+⅛
33⅝	16⅞	ZenithE			117	1814	29¼	28¾	29¼	+⅝
13½	6¼	ZenLab				2648	8⅝	7⅛	8	+¾
27¾	18¾	ZenNt	.80	3.7	13	138	22	21⅝	21⅞	+⅜
20⅜	12⅜	Zero	.36	1.9	19	86	18¾	18⅜	18½	+⅛
30¾	17½	Zurnin	s.68	2.5	18	410	27¼	26¾	27¼	
10⅜	8¾	Zweig	n.65e	6.4		698	10¼	10⅛	10⅛	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 43

FINANCIAL TIMES

WORLD STOCK MARKETS

Looming trade figures fail to dampen Dow

WALL STREET

MARKETS in blue chip stocks as well as US government bonds managed yesterday to sneak in a sizeable rally on Wall Street ahead of the much feared figures for the nation's trade deficit due this morning, *writes Gordon Cramb in New York*.

The Dow Jones industrial average ended 26.78 higher at 2,576.05. Advances led declines by 1,108 to 480 as the NYSE composite index, reflecting the broader strength, rose 1.67 to 177.46. Volume quickened to 180.1m shares from Wednesday's 164.9m.

Bond yields at the long end came back below the 9.6 per cent threshold despite further warnings that the Federal Reserve could be expected again to increase its discount rate.

Mr Albert Wojnilower, the influential managing director of First Boston, said he saw "more than one" rise in the discount rate, the first of which could come by Thanksgiving. This would probably be of a half point, matching last Friday's rise to 6 per cent.

Selling more exports has failed to compensate for buying more imports at higher prices. "The trade deficit measured in dollars has grown further and is unlikely to shrink materially soon." Consensus for the July figure awaited today is $16bn.

The stock market showed signs of taking to heart the more bullish of the recommendations being pushed out by industry watchers – for example Mr Joseph Granville has overnight told clients of his newsletter service that the sell-off the past two weeks had brought the market to a bottom which "should hold up through the balance of the month."

Meanwhile, the regional Bell telephone companies responded unenthusiasticaly to a federal judicial ruling approving their entry into information services on restricted terms. The judgment would allow them to provide transmission services but not to supply information themselves. They also remain excluded from telephone manufacture and long-distance phone business.

Nynex, the New York area company, advanced $¾ to $72¾. Pacific Telesis firmed $⅛ to $28¾, Ameritech, at $93¼, was up $⅝, but Bell Atlantic dipped $⅜ to $73½. AT&T, the erstwhile parent who will thus have its operations largely secured, was $⅜ higher at $32⅜ in active dealings.

IBM, at $ 157¾, moved up $½ but was again outshone. Digital Equipment, which has just unveiled an aggressively priced batch of minicomputers and workstations, resumed its upward path with a $7¼ leap to $189¼.

Other notable technology stocks were Amdahl, $1¾ higher in busy American Stock Exchange dealings to $42¾, and on the Nasdaq market Apple, which gained a further $1 to $53¾ after a $2⅞ boost on Wednesday, approaching its 52-week high of $55¼. The market's disaffection with the lowering of development sights at Cray Research continued, pulling the stock $2⅜ downward to $94¼.

National Semiconductor was heavily traded and $⅝ higher at $17⅜. General Electric also moved near the top of the actives list with a $⅞ gain to $60⅞.

After the rescue on Wednesday of First City Bancorp of Texas, its shares lost nearly half their already minimal value as diehard holders attempted to get rid of the stock. At $1 the price was down by $⅞. Its two sets of cumulative preferred shares fared better, with the A series $1⅞ down at $9¼ and the Bs off $1⅝ to the same level.

Others in the Texas banking sector, misery-ridden for so long, were the much healthier First Republic-Bank which was unmoved at $21, and MCorp, $½ lower at $6⅝.

The Lone Star State was able to provide a better feature elsewhere in the market, though, as Texas Air shot up another $1⅜ to $28¼ after an active $1 rise on Wednesday. It remains far below the year's peak, of $51½, however.

As domestic carriers attempted to mark up fare levels on the most useful routes, AMR on $57⅛ lost $¼ of its recent rise and Delta firmed $⅛ to $53⅞.

The broadcasting sector accorded leading role to CBS, which soared $8¼ to $199 after settling its differences overnight with A. C. Neilson and its new ratings system. Dun and Bradstreet, which owns Neilsen, gained $1½ to $68¼. Elsewhere Lorimar-Telepictures, the production house which makes Dallas, gained $1 on the Amex to $16⅞. It has found more support since giving up its network operating ambitions.

In the pharmaceutical stocks Warner-Lambert picked up $3⅛ to $81½ while Merck, the sector's recent darling, fell back $⅜ to $212⅞.

Credit markets sought to build on their midweek stability, assisted by an easing in federal funds to 7⅛ per cent. Three-month Treasury bill yields came down six basis points to 6.51 per cent. The 2017 long bond, bearing an 8⅞ per cent coupon, rallied 14/32 in price to 93 3/32 where it yielded 9.57 per cent.

CANADA

GOOD GAINS in base metals lifted share prices in Toronto in moderately active trade.

The advance was led by Alcan Aluminum, which firmed C$2⅜ to C$44⅜ in busy trading. Cominco followed suit, up C$1¼ to C$21¾, while Falconbridge moved C$1⅛ higher to C$28⅝ and Inco was ahead C$1 at C$27⅜.

Blue chips also helped to pull the market up.

Canadian Pacific gained C$⅝ to C$27 a day after the company's president said he expected higher second half operating profits.

ASIA

Rumours of fresh bond losses hit Tokyo trading

TOKYO

TALK that two medium-sized Japanese banks had suffered bond investment failures similar to those of Tateho depressed the bond market and was partly responsible for sending equities lower in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press*.

The Nikkei stock average slid 142.69 points to 24,795.24, reflecting falls in financials and pharmaceuticals. Volume shrank from Wednesday's 620.03m to 565.88m shares. Declines led advances by 549 to 358, with 131 issues unchanged.

A wait-and-see mood set in as financial institutions and business corporations prepared to close their books for the first half (April-September) of this fiscal year. Investors were also awaiting the announcement of US trade figures for July due today.

The market was depressed by a downslide of bond prices, triggered by rumours in the London, New York and Tokyo financial markets that two Japanese *sogo* (mutual) banks had suffered large bond investment losses. Kinki Sogo Bank and Kansai Sogo Bank both denied making such losses.

High-technology stocks were back in favour after moderate losses the previous day. Their return to grace was helped by a Finance Ministry announcement that Japan's August trade surplus fell from a year earlier, the fourth successive month it had moved lower.

Mitsubishi Electric Corp rallied Y16 to Y615, NEC Corp was up Y50 at Y2,050, Matsushita Electric Industrial added Y60 to Y2,460 and Sony advanced Y60 to Y4,950.

Stocks related to Nippon Telegraph and Telephone Corp (NTT) drew renewed interest after NTT announced a plan to boost equipment investment in the next fiscal year. Fujitsu climbed Y40 to Y1,330, Nitsuko was up Y30 at Y1,930, Kokusai Electric rose Y160 to Y3,180 and Matsushita Communication Industrial added Y130 to Y4,030. Against the trend, OKI Electric Industry closed Y8 down at Y845 after rising Y21 at one stage.

Giant-capital steels and shipbuildings faded in late trading. They had a strong start after strengthening on buying by Nomura Securities. Kobe Steel topped the active stock list, with 53.12m shares traded, and finished Y6 down at Y299 after gaining Y7 at one stage. Nippon Steel, second busiest with 41.53m shares, was Y2 down at Y345 after firming Y6 in early trading.

However, Mitsubishi Heavy Industries advanced Y12 to Y612 and Sumitomo Metal Industries Y4 to Y252.

The financial sector plunged on a broad front: Mitsui Bank lost Y90 to Y2,450, Nomura Securities declined Y90 to Y4,330.

Among biotechnology-linked stocks, Takeda Chemical dropped Y60 to Y3,190 and Yamanouchi Pharmaceutical was down Y20 at Y4,290.

Bonds moved widely in reaction to the rumours of sogo banks' bond investment failures.

The yield on the bellwether 5.1 per cent Government bond due in June 1996 advanced from Wednesday's 5.440 per cent to 5.650 per cent at one stage due to small-lot selling by dealers. It later fell to close at 5.540 per cent in block trading on the Tokyo Stock Exchange. The late recovery was aided by an upturn in the December bond futures contract.

On the Osaka Securities Exchange (OSE), shares continued their fall with selling centering on firms based in western Japan.

The OSE stock average declined 182.90 points to 25,521.97, on an estimated volume of 94.83m shares, down 2.22m shares from the previous day.

Nintendo slumped Y400 to Y11,300, Ono Pharmaceutical declined Y180 to Y7,620 and Torishima Pump was down Y50 to Y1,370, while Tateho Chemical Industries rebounded Y26 to Y646 and Toa Wool Spinning and Weaving advanced Y98 to Y871

HONG KONG

BARGAIN-HUNTING helped Hong Kong share prices rebound from two days of falls as the index futures market recovered and rumours surrounded the Jardine Matheson group and a key property stock.

The Hang Seng index rose 23.32 to 3,600.96 in still heavy trading worth HK$2.1bn and the Hong Kong index was up 15.92 at 2,367.62.

Properties were particularly strong amid rumours of a planned link between Jardine Matheson associate Hongkong Land, up 20 cents at HK$8.10, and Sun Hung Kai Properties, 50 cents higher at HK$18.50. Jardine Matheson added 20 cents to HK$21.60.

AUSTRALIA

A SLIGHTLY steadier tone left Sydney share prices mixed, with industrials showing some good gains while miners were generally depressed by lower bullion prices.

The All Ordinaries index lost just 3.5 points to 2,185.0.

Among golds, Kidston lost 20 cents to A$7.20 and Gold Mines of Kalgoorlie was down 26 cents at A$9.60.

On the industrial board, News Corp advanced 50 cents to A$22.80 in thin turnover and situation stock John Fairfax ended 8 higher at A$9.

Retailer Coles Myer lost 26 cents to A$8.90 despite a 20 per cent rise in annual profits, while Boral recovered 4 cents to A$6.24.

SINGAPORE

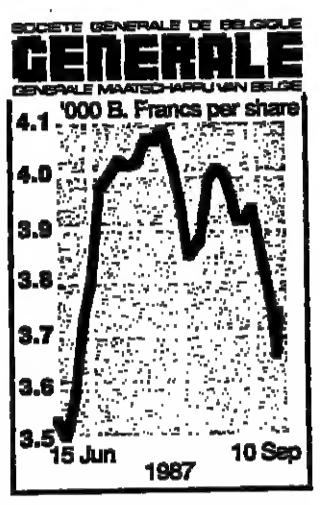
LETHARGY took hold of Singapore as institutional investors stayed away and prices finished mixed to lower in very thin trading. The Straits Times industrial index ended slightly down at 1,475.81, a fall of 6.36 points.

A handful of blue chips edged higher, with Singapore Airlines back at its 1987 high of S$15 with a gain of 10 cents and Sime Darby up 2 cents at S$3.58.

Trading in UIC and UOL was suspended pending an announcement.

Composure returns to Brussels after plunge

THE BELGIAN stock market regained its poise yesterday after a two-day free fall in which small investors had scrambled to unwind speculative positions, *writes Will Dawkins in Brussels*.



The forward index opened 15.1 higher at 4,489 and dealers expected it to end trading at similar levels. However, the general stock index, which represents shares traded for cash rather than dealt on account, presented a more gloomy picture, down 13.25 points at 5,008.62.

Yesterday's consolidation comes after several months of frenetic activity during which share prices reached record highs before falling back earlier this week.

Brokers attributed yesterday's trend to the dollar's new stability and a surprise recovery in the price of Société Générale de Belgique, the country's largest industrial holding company. Its ordinary shares climbed BFr60 to BFr3,720, ending a seven-day decline, but were still far below the BFr4,155 peak hit in mid-July at the height of speculation that a bidder could be preparing to pounce.

The recent decline came in response to a more than 60 per cent increase in authorised capital designed to dilute potential attackers.

Other main share movements among the leading companies yesterday included the Solvay chemicals group, down BFr300 at BFr14,200, and Gevaert, an industrial holding group, down BFr250 at BFr7,750 on news that first half earnings would be lower than expected.

SOUTH AFRICA

THE GOLD market in Johannesburg had an uneven day with spurts of buying interest and some investor caution prior to the release of the South African production price index and US trade deficit data.

Among leading gold stocks, Vaal Reefs eased R2 to R463 but Randfontein gained R5.50 to R433.50 and Kinross was up R1 at R88.

In the cheaper gold issues, Bracken slipped 20 cents to R7.50 and Leslie moved up 35 cents to R7.65.

A feature of the market was the new listing of the gold mine Osprey which was issued at 75 cents, opened at R2.30 and closed at R3.

Diamond share De Beers eased 35 cents to R52.15 while platinum shares followed the mixed trend of golds.

Minings were also mixed with Anglo American slipping 25 cents to R89.75 and Gencor adding R1.75 to R70.

EUROPE

Blue chips rise on cue from dollar

A FIRMER dollar gave support to blue chips on most major bourses in Europe yesterday while Scandinavian markets returned to their record-breaking run after a one-day respite.

Frankfurt was encouraged by the dollar's overnight recovery and moved broadly higher led by cars and electrical issues. The Commerzbank index rose 25.9 to 1,973.9 in moderate trade.

Daimler continued its advance on news that it is seeking a stake in the French Matra group, adding DM8.50 to DM1,101. BMW was up DM3 at DM755, but VW lost DM5.50 to DM396.

In electricals, AEG firmed DM12.30 to DM341.30 and Siemens was up DM 3.50 to DM 644.50.

Banks were broadly higher led by Commerzbank which gained DM4 to DM299.

Bonds firmed on a lively bourse as retail buyers returned to the market. The Bundesbank sold DM178.8m worth of paper after selling DM98.7m on Wednesday.

Amsterdam advanced across a broad front as buying interest picked up on the dollar's mild recovery. The ANP-CBS index rose 4.1 to 310.4 supported by gains in blue chips.

LONDON

UK SECURITIES markets opened more brightly on a steadier US bond market and further success in stabilising the dollar. But UK investment institutions again showed little enthusiasm and the markets were unable to extend their early gains.

The FT-SE 100 index ended only 4.1 higher at 2,253.2 and the FT Ordinary index was up 5.2 at 1,761.3. Business was largely confined to situation stocks.

Government bonds began well but there was some concern later over stories from Tokyo about further heavy losses in bond futures. Details, Page 42.

Details, Page 42.

Royal Dutch ended Fl 4.50 higher at Fl 264.50 after announcing an unchanged Fl 4.50 interim dividend.

Akzo was up Fl 3.70 at Fl 172.90 and Unilever rose Fl 1.70 to Fl 138.50.

Insurers performed well with Aegon adding Fl 1 to Fl 87.90 and Amev firming 70 cents to Fl 61.30.

Zurich reacted to the firmer dollar and moved higher buoyed by selective buying in blue chips and speculative interest in machinery issues.

The Crédit Suisse index rose 8.1 to 603.6 in moderate trade.

Chemical company Sandoz rose SFr100 to SFr14,800 and Ciba-Geigy bearers put on SFr75 to SFr3,850.

Banks posted modest advances and insurers made good gains.

Paris took heart from the overnight steadiness on Wall Street and the recovery of the dollar. The CAC index rose 1.8 to 430.9 in moderately active trade with blue chips leading the recovery.

Foreign and domestic investors bargain-hunted blue chips after a recent decline in prices. Cie du Midi rose FFr35 to FFr1,388, Peugeot climbed FFr29 to FFr1,623 and Lafarge Coppée gained FFr26 to FFr1,700.

Textile group Prouvost, object of a takeover attempt by Chargeurs, rose FFr77 to a year's high of FFr581.

The new share options market opened and saw good buying activity in Paribas and Peugeot December call options.

Stockholm surged to a peak in bustling trade. The J&P index climbed 30.6 to 3,118.4 on turnover of SKr725m.

Blue chips forged ahead with Volvo adding SKr3 to SKr399, Saab-Scania up SKr6 at SKr268 and Ericsson SKr2 higher at SKr234.

Oslo rose to a record on higher oil prices and bargain-hunting after Wednesday's technical correction. Indications that money market rates would go down also helped the market, brokers said.

The all-share index advanced 9.02 to 420.02 on turnover worth a record NKr380m, up NKr70m from the previous high set on Tuesday.

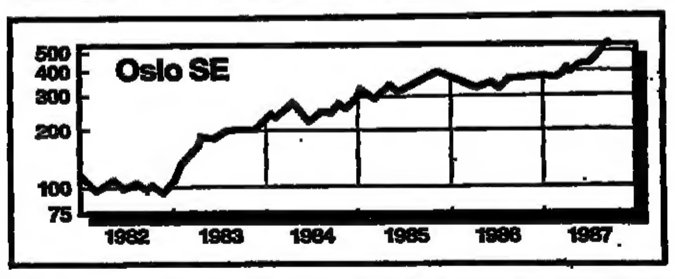
Madrid continued its weak trend and closed lower on light profit-taking. The general index slipped 0.45 to 306.47.

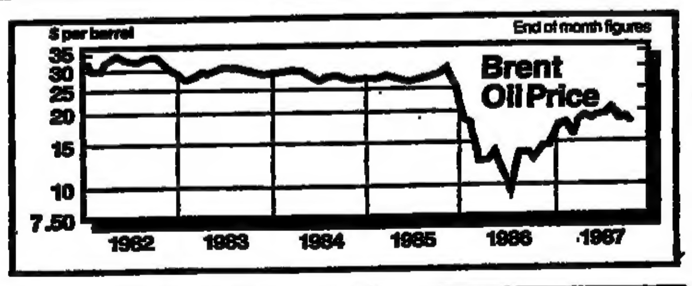
Banks moved within wide margins as Banestro dropped 45 percentage points to 1,120 per cent of nominal value while Popular added 74 percentage points to 1,860.

Milan firmed in thin trading as a technical reaction to a run of downward sessions. The MIB index added 4 to 837 with modest advances in most sectors.

Insurers, which have suffered in recent sessions, recovered with Generali up L500 at L122,800 and Ras adding L400 to L54,600.

KEY MARKET MONITORS





STOCK MARKET INDICES

NEW YORK	Sept 10	Prev	Year ago
DJ Industrials	2,563.78*	2,549.27	1,879.50
DJ Transport	1,018.97*	1,013.83	782.63
DJ Utilities	199.15*	199.32	211.35
S&P Comp.	317.05*	313.92	247.06
LONDON FT			
Ord	1,761.3	1,756.1	1,317.9
SE 100	2,253.2	2,249.1	1,663.50
A All-share	1,152.05	1,150.58	812.58
A 500	1,265.07	1,262.59	891.49
Gold mines	448.9	448.6	297.3
A Long gilt	10.00	10.04	9.79
World Act. Ind (Sept 4)	134.72	135.34	99.60
TOKYO			
Nikkei	24,795.24	24,937.93	18,619.3
Tokyo SE	2,048.96	2,065.79	1,535.36
AUSTRALIA			
All Ord.	2,185.0	2,188.5	1,232.4
Metals & Mins.	1,368.4	1,376.8	601.1
AUSTRIA			
Credit Aktien	215.42	215.38	239.63
BELGIAN SE			
SE	5,008.60	5,021.40	4,026.00
CANADA			
Toronto			
Met & Mins.	3,245.6*	3,129.7	2,209.25
Composite	3,922.9*	3,888.8	3,096.1
Montreal			
Portfolio	1,940.81*	1,924.47	1,568.77
DENMARK SE			
SE	n/a	204.98	196.52
FRANCE			
CAC Gen	430.90	429.10	402.3
Ind. Tendance	111.80	111.30	96.49
WEST GERMANY			
FAZ-Aktien	641.48	633.10	685.98
Commerzbank	1,973.90	1,948.0	2,070.6
HONG KONG Hang Seng	3,600.96	3,577.64	1,976.16
ITALY Banca Comm.	605.48	602.86	770.81
NETHERLANDS ANP CBS			
Gen	310.40	306.30	296.9
Ind	261.70	259.30	299.4
NORWAY Oslo SE	563.41	554.43	380.39
SINGAPORE Straits Times	1,457.80	1,464.10	828.76
SOUTH AFRICA JSE			
Golds	—	—	1,798.0
Industrials	—	—	1,364.0
SPAIN Madrid SE	306.47	306.92	203.69
SWEDEN J & P	3,118.40	3,087.80	2,473.49
SWITZERLAND Swiss Bank Ind	693.60	685.60	572.0

COMMODITIES (London)

	Sept 10	Prev
Silver (spot fixing)	461.65p	452.95p
Copper (cash)	£1,099.00	£1,085.00
Coffee (Sept)	£1,292.00	£1,335.00
Oil (Brent Blend)	$18.435	$17.875

GOLD ($/oz)

	Sept 10	Prev
London	$460.00	$457.50
Zürich	$460.35	$458.25
Paris (fixing)	$460.90	$458.28
Luxembourg	$457.65	$458.10
New York (Dec)	$470.60	$464.50

CURRENCIES (London)

	US DOLLAR Sept 10	US DOLLAR Previous	STERLING Sept 10	STERLING Previous
$	–	–	1.6450	1.6510
DM	1.8065	1.7965	2.9725	2.9650
Yen	142.50	141.55	234.50	2.3375
FFr	6.0425	6.0125	9.9400	9.9275
SFr	1.4950	1.4870	2.4600	2.4550
Fl	2.0320	2.0220	3.3425	3.3350
Lira	1,308.5	1,301.5	2.1525	2.148.75
BFr	37.55	37.35	61.75	61.65
C$	1.3210	1.3205	2.1735	2.1785

INTEREST RATES

Euro-currencies (3-month offered rate)	Sept 10	Prev
£	10⅛	10⅛
SFr	3⅝	3⅝
DM	4 7/16	4
FFr	8¼	8 5/16
FT London Interbank fixing (offered rate)		
3-month US$	7 9/16	7 11/16
6-month US$	8	8¼
US Fed Funds	*	6⅞
US 3-month CDs	*	7.675
US 3-month T-bills	*	6.64

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept 10 (Sept)	83-27	84-06	83-12	83-06
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	93.61	93.63	93.56	93.52
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	n/a	n/a	n/a	93.98
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.51	92.52	92.46	92.38
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	114-01	114-08	113-28	113-19

US BONDS

Treasury

	September 10 Price	September 10 Yield	Prev Price	Prev Yield
7⅞ 1989	98 29/32	8.344	98 23/32	8.41
7 1994	93 25/32	9.25	93 17/32	9.28
8½ 1997	94 23/32	9.44	94 19/32	9.475
8⅞ 2017	92 25/32	9.609	92 29/32	9.63

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index (September 10)	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	–0.03
1–10	154.63	+0.12	6.86	–0.03
1– 3	144.03	+0.07	6.37	–0.03
3– 5	157.57	+0.17	6.71	–0.03
15–30	193.58	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	September 10 Price	September 10 Yield	Prev Price	Prev Yield
AT & T 3⅞ July 1990	92.25	6.97	92.75	6.76
SCBT South Central 10⅞ Jan 1993	101.0	10.63	101.0	10.63
Philbro Sal 8 April 1996	87.09	10.30	86.85	10.35
TRW 8⅞ March 1996	92.17	10.15	91.90	10.20
Arco 9⅞ March 2016	93.51	10.60	93.51	10.60
General Motors 8⅝ April 2016	77.85	10.60	77.86	10.60
Citicorp 9⅝ March 2016	85.92	11.00	85.92	11.00

Source: Salomon Brothers

* Latest available figures